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# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Monday May 12 1986

D 8523 B

BHP tries to swim away from predators, Page 14

No. 29,926

Germany . Sch. 20	France . Fr. 100	Denmark . Dkr. 200	Italy . Lit. 200	Spain . Ptas. 165
Belgium . Bfr. 20	Portugal . Esc. 200	Greece . Dr. 200	Ireland . Ir£. 100	USA . \$
Netherlands . Dfl. 100	Japan . Yen 100	UK . £	Canada . Cdn. \$	South Africa . Rand
Austria . Sch. 10	India . Rupee 100	New Zealand . N.Z. \$	Sweden . Skr. 100	Israel . Sheqel 100
Switzerland . Fr. 100	Malaysia . Ring 100	Finland . Fmk. 100	Yugoslavia . Dinar 100	Poland . Zloty 100
Italy . Lit. 200	Thailand . Baht 100	Czech Republic . Koruna 100	Soviet Union . Ruble 100	Spain . Ptas. 165
France . Fr. 100	Singapore . S\$ 100	Poland . Zloty 100	West Germany . DM 100	Portugal . Esc. 200
UK . £	Philippines . P. 100	USSR . Ruble 100	Denmark . Dkr. 200	Japan . Yen 100
USA . \$				

## World news

### Jatiya heads for Dhaka poll win

Bangladesh's Jatiya party, which won the parliamentary election last week, is expected to win a simple majority in the poll being held on Saturday.

The party's leader, Sheikh Mujibur Rahman, is expected to win the poll. The party's victory is expected to mark a new chapter in Bangladesh's history.

### BNP lifts equity issue over FFr 5bn

BNP National de Paris, France's biggest nationalised bank, has increased the size of its current issue of non-voting shares - a prelude to privatisation - from FFr 3.5bn to FFr 5bn.

The bank's decision is seen as a sign of its commitment to reform and modernisation.

### General strike call

Spain's main dock workers' union has called a general strike for next Sunday, May 18, as the latest move in a long-running dispute over the Socialist Government's plans to reform the way ports are run.

The strike is expected to cause significant disruption to Spain's economy.

### Nato protest

Thousands of demonstrators marched to an airbase used by US forces outside Madrid to call for Spain's withdrawal from Nato and an end to the US military presence in the country.

The protest is part of a wider movement for Spanish neutrality.

### Palestinians return

"Thousands" of Palestinian fighters are being sent back to Lebanon by Fatah, the most important Palestinian faction, nearly four years after their bloody expulsion from Beirut at the hands of the Israelis, a top Fatah official said.

The move is seen as a significant step towards a resolution of the conflict.

### Punjab killings

Commies shot dead two people in Punjab, India, and police broke up a public meeting in Amritsar between supporters and opponents of Punjab's embattled chief minister.

The violence in Punjab continues to escalate, raising concerns about regional stability.

### Herzog plea

President Chaim Herzog said Israel should delay taking an official stand on allegations concerning the wartime past of former UN Secretary General Kurt Waldheim until it obtained more information.

The allegations have caused a major diplomatic rift between Israel and Austria.

### Nasa attacked

A US presidential commission has accused Nasa, the US space agency, of a near "cover up" of its problems with the space shuttle's booster rockets and denounced the demotion of officials who warned against the disastrous January 28 launch of the Challenger.

The commission's report is expected to lead to significant reforms at Nasa.

### Ulster talks

Ulster Unionist leaders have pulled out of "talks about talks" with UK government officials on the Anglo-Irish agreement.

The talks were seen as a key element in resolving the Northern Ireland conflict.

### Tutu in Austria

Nobel peace prize winner Bishop Desmond Tutu arrived in Austria to address conferences on press freedom and South African apartheid.

Tutu's visit is expected to draw international attention to the struggle in South Africa.

### Township sealed

South African police and army units have sealed off the township of Alexandra in Johannesburg's northern suburbs for the past two days in an effort to end several weeks of violence.

The township is one of the most densely populated and poorest in South Africa.

### Pakistan murders

The banned Ahmadi sect in Pakistan said two of its members were murdered in the southern Pakistan town of Sukkur in the latest of a series of attacks.

The attacks are part of a broader persecution of the Ahmadi community.

### Grand prix win

Frenchman Alain Prost, in a McLaren, won the Monaco Grand Prix motor race.

Prost's victory was a significant achievement for the McLaren team.

### North Pole walk

Jean-Louis Etienne, a 39-year old French doctor, completed a solitary 65-day, 500-mile walk to the North Pole from Ward Hunt island, the northernmost point in Canada.

Etienne's feat is a remarkable feat of endurance and exploration.

## Eastern Europe attacks EEC's post-Chernobyl food import ban

THE European Community's on-off ban on food imports from Eastern Europe in the wake of the Chernobyl nuclear plant disaster will shutter into force this week and last until May 31, write Paul Cheswright in Brussels and David Buchan in London.

But foreign ministers today will have to decide how to ensure that the ban is not a protectionist device for the Community's own producers.

Mr John Maslen, head of the EEC department dealing with Eastern Europe, last week anticipated these complaints by stressing, in a speech in London, that the ban, imposed for health reasons, should not be allowed to degenerate into any form of trade protectionism.

Mr Maslen said that the Community's three major food-exporting countries reacted sharply over the weekend to the import ban, calling it politically motivated protectionism and unnecessary on health grounds.

A Polish Government statement said the ban was an "extension of political restrictions against Poland," and warned that this "dishonouring of competition" would, by pushing Polish foodstuffs out of EEC markets, make it harder for Warsaw to service its \$30bn foreign debt.

In Hungary - the only East European country so far to provide Brussels with regular information on ra-

### Soviet reactor 'no longer a major threat'

THE DANGER from the Chernobyl nuclear reactor is finally over, the senior Soviet scientist in charge of cleaning up after the world's worst nuclear accident yesterday, writes Patrick Cockburn in Moscow.

Dr Yevgeny Velikhov, vice president of the Soviet Academy of Sciences, said that yesterday marked a turning point in the 15-day struggle to neutralise the reactor, which "no longer poses a major threat."

Theoretically, until today, there existed the possibility of a catastrophe because a large amount of fuel and reactor gra-

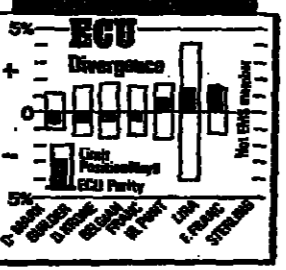
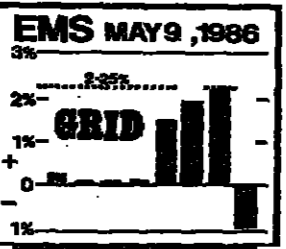
### Common Agricultural Policy, to stop imports of fresh beef, veal, pig-meat, live cattle and pigs. They account for about three quarters of the main food imports from the countries affected by the ban - imports which in 1985 for the Community of Ten countries amounted to about Ecu 700m (\$890m).

ing the soil around the reactor and covering it with large amounts of concrete to "bury it."

Dr Velikhov, a senior adviser to Mr Mikhail Gorbachev, the Soviet leader, said that it was important to "decontaminate and contain radioactive substances" which might otherwise get into the ground water.

Meanwhile, two more people have died from their injuries bringing the total to four, Mr Valentin Fallin, a former Soviet ambassador to West Germany and the head of the Novosti newsagency, told the West German magazine Der Spiegel.

The main problem now is to settle the internal trade questions. The main block on joint action came from Bonn, which has already passed on to the regional Länder stricter levels of radioactive tolerance in leaf vegetables than is thought necessary by Community working groups of experts, but at the same time West Germany has difficulty in adjusting milk production to meet the stiffer levels of radioactive tolerance thought appropriate by other Community members.



## UK ministers defy Thatcher over tax reform programme

BY PETER RIDDELL, POLITICAL EDITOR, IN LONDON

OPEN DIVISIONS within the British Cabinet about future strategy emerged yesterday as two senior ministers challenged the preference of the Prime Minister and the Treasury for big tax cuts and insisted upon a balanced approach with higher spending on public services.

A vigorous debate within the Conservative Party, leadership about both policy and presentation followed the Tories' widespread losses in last Thursday's elections. The Liberal Social Democratic Alliance gained the previously safe Tory seat of Ryedale in north Yorkshire by a margin of 4,940, overturning a majority of 18,412 at the 1983 general election. A Tory majority of 13,325 in West Derbyshire in 1983 was cut to only 100 by the Alliance.

In the local elections which took place in the London boroughs, most of the big industrial cities and many small towns in England and the whole of Scotland, Labour made sweeping gains, winning 500 seats. The Alliance gained over 270 seats. The Tories lost nearly 700 seats. These losses have unsettled the Tory Party and the call for changes was signalled in television interviews yesterday by Mr Nigel Biffen, the leader of the House of Commons, who became the first minister publicly to refer to Mrs Thatcher's likely departure during the next parliament, and by Mr Malcolm Rifkind, the Scottish Secretary.

During the forthcoming Cabinet discussions on public spending, several senior ministers intend to argue against the aim of a 25p in the pound basic rate of income tax (down from 28p) now set out by Mr Nigel Lawson, the Chancellor of the Exchequer, in his budget last March.

This goal was neither discussed nor agreed by the Cabinet and the first most ministers knew of the figures was during the budget speech itself. Some irritated ministers with spending departments believe that Mr Lawson was publicly trying to pressure them into accepting this aim, which they will challenge in the coming weeks.

In a television interview, Mr Biffen remained publicly loyal - while no doubt causing maximum irritation in Downing Street.

He argued that the 25p figure was one marker in the debate which would have to be set alongside other requirements of "social, economic and political considerations."

Mr Biffen accepted that there would have to be increased spending on the health service, education, roads and a number of local authority services, while expressing concern that this must not just mean higher pay awards.

Similarly, in another television interview, Mr Rifkind said he had "no doubt that the vast majority of Conservatives would think it would be a great mistake to throw everything into tax cuts."

Both he and Mr Biffen suggested that because of the expansion of the economy and the resulting increase in revenue, there would be scope for a balance between tax reductions, including higher thresholds, and increased spending on public services.

The Treasury, however, is likely to resist strongly any attempt to win more resources this summer and autumn for spending on such services.

Mr Biffen also urged a change in the Government's presentation. He saw "great virtue in a balanced ticket" - the asset of a "conviction" prime minister being balanced by some other powerful figure of whom would probably become prime minister in due course, and being represented as a team. "He said this applied particularly since "nobody seriously supposes that

## Norway devalues krona by 12%

By Kevin Done in Stockholm

NORWAY'S new Labour Government yesterday announced a 12 per cent devaluation of the Norwegian krona as a first step in a package of crisis measures aimed at stemming the recent dramatic outflow of currency from the country and dampening down the overheated domestic economy.

In a series of follow-up measures to be presented in detail in a revised budget on May 30 the minority Labour administration is aiming to tighten fiscal policy with tax increases and expenditure cuts amounting to some Nkr 3bn (\$433m) for 1986 or Nkr 5bn to Nkr 6bn over a full year, a cut equivalent to a little more than 1 per cent of gross national product (GNP).

At the same time, credit policy is to be "significantly tightened," with particular emphasis on cutting back rampant consumer borrowing, which helped fuel a jump of more than 8 per cent in private consumption last year.

The devaluation, which has come in the face of a rapidly deteriorating economy, has been virtually forced on the incoming Labour administration by the wave of speculation that has built up against the currency in the last few days.

Continued on Page 16

## US deal makes Saatchi world's biggest agency

BY ALICE RAWSTHORN IN LONDON

SAATCHI & SAATCHI has finally fulfilled its ambition to become the world's largest advertising agency by acquiring the privately owned US agency, Ted Bates, for \$450m in a cash deal.

The two advertising agencies have been involved in negotiations for the last 18 months and have twice been on the brink of concluding a merger. Negotiations recommenced 10 days ago and were completed in New York late on Friday night by Mr Andrew Woods, Saatchi's group corporate finance director, and Mr Robert Jacoby, chairman of Ted Bates. Saatchi was advised by Country Bank.

Saatchi will pay \$400m for Ted Bates on completion and an additional \$50m to 200 employee shareholders within two years. The money comes from its recent rights issue.

Together the two agencies will command billings of \$7.5bn. Ted Bates is almost certain to lose several key accounts after the merger however, because of potential conflicts with Saatchi's clients. Its most significant loss is likely to be that of the \$80m worldwide account for Colgate Palmolive, which would clash with Saatchi's work for Procter & Gamble.

None the less the enlarged Saatchi group will still be significantly larger than BBDO/Doyle Dane, which recently merged to become the world's largest agency with billings of \$5bn, thereby ousting Interpublic (\$4.7bn).

Once the merger is completed, Ted Bates will function as an autonomous network of agencies within the Saatchi group, competing with Saatchi & Saatchi for business. It will play a similar role to that of DFS: Dorland, the network created earlier this year by the merger of the New York agency, Dancer Fitzgerald Sample, and Saatchi's London subsidiary, Dorland.

Saatchi has made no secret of its long-held ambition to become the world's largest advertising agency. Charles and Maurice - just 16 years to form their original investment of £25,000 into a marketing and business services group with a market capitalisation of over £1bn (\$1.54bn).

Advertising is just one of 10 areas of business services in which Saatchi aims to establish market leadership. It is now expected to turn its attention to parallel fields, specifically to management consultancy.

Background, Page 16

## Banks slow to back Brazilian debt plan

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

WELL UNDER half of Brazil's 700 creditor banks around the world have agreed to support the country's latest \$31bn debt restructuring package more than two months after the details were thrashed out with a committee of leading creditors in New York.

Senior bankers acknowledged at the weekend that response to the deal had been poor. Unless momentum was restored soon, they said, they were afraid that Brazil could start to lose vital short-term trade and money market credits.

The slow response to the rescheduling package is in marked contrast with optimistic government statements on Brazil's economy and trade outlook after the launch of radical reform measures in early March.

Resistance to the debt rescheduling proposals has little to do with worries over Brazil's economy or the fact that the Government of President Jose Sarney has decided not to adopt an International Monetary Fund economic stabilisation programme. Rather, bankers say, it reflects continuing resentment

## Damascus expels UK diplomats

By Richard Johns in London

SYRIA yesterday ordered three British diplomats to leave the country in retaliation for the expulsion by the UK on Saturday of three of its attaches in London.

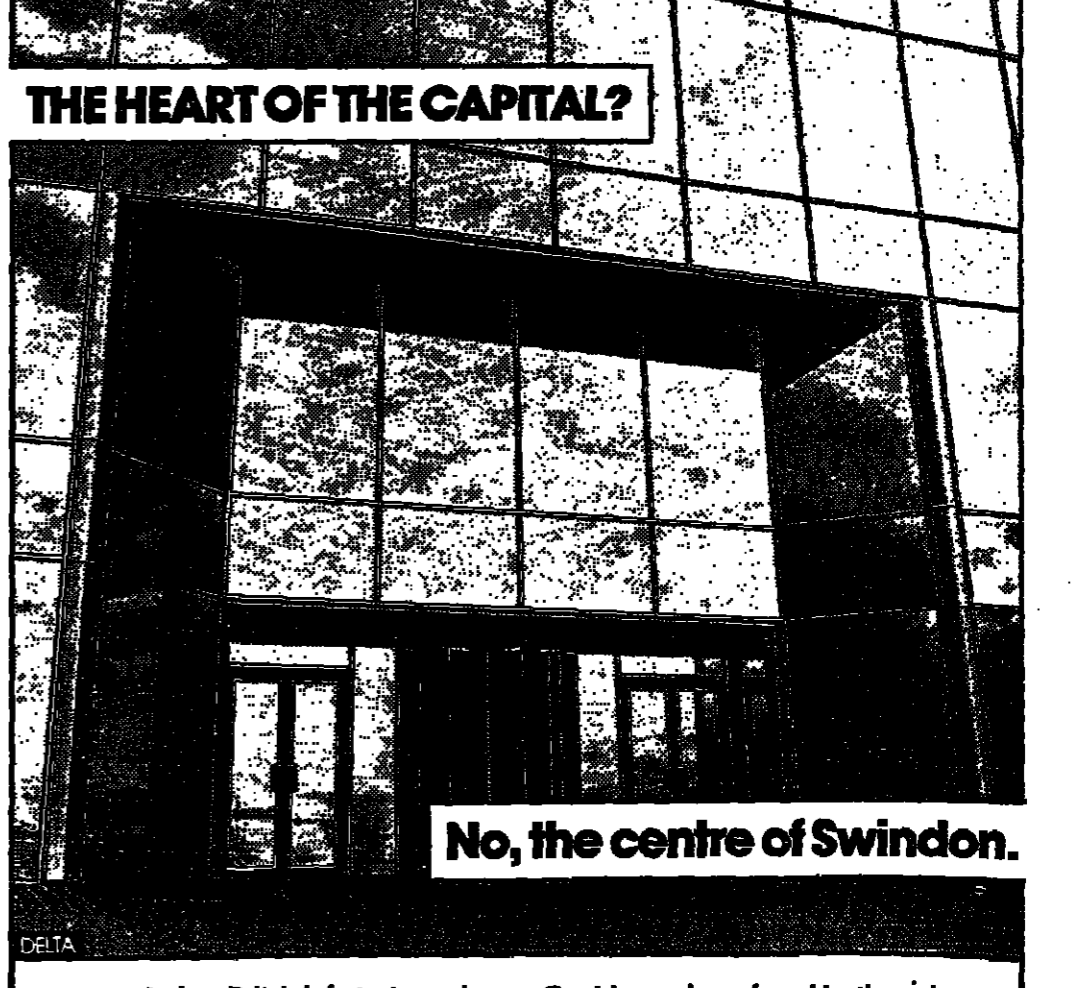
The British Foreign Office described the Syrian action as "quite unjustifiable" but said that no further action by the British Government was contemplated.

The UK action came after the Syrian Government declined to waive diplomatic immunity so that police could interview the three attaches in connection with terrorist activities - in particular, the attempt to plant a bomb on an Israeli airliner at Heathrow airport on April 17.

Dr Loulou Haydar, the Syrian ambassador in London, after consultations with Damascus, agreed that they could be questioned, but on embassy premises and without diplomatic immunity being waived.

The police said the restrictions meant their evidence could not be used in court.

Continued on Page 16



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### OVERSEAS NEWS

## Chernobyl death toll rises to four

BY PATRICK COCKBURN IN MOSCOW

THE death toll from the Chernobyl nuclear accident has risen to four following the deaths of two of the 18 people seriously injured, a senior Soviet official has said in an interview.

Mr Valentin Fallin, a former Soviet ambassador to West Germany and the head of the news agency Novosti, denied in the magazine Spiegel that Mr Mikhail Gorbachev, the Soviet leader, had suffered a loss of credibility abroad because of the Soviet failure to tell Scandinavian governments the origin of the radioactive cloud detected over their countries two days after the accident.

"Before the General Secretary can issue such information, he has to get it himself," he said. "The General Secretary obtained the first detailed information before the Monday Politburo meeting. Let us leave the General Secretary out of it... the experts are responsible for such things."

Mr Gorbachev's failure to say anything about the disaster for two weeks since it occurred has caused surprise in Moscow and diplomats consider that it is likely to damage his standing.

Mr Fallin's account of events confirms reports from the Ukraine that it was only on Monday, more than 48 hours

after the accident that senior officials in Moscow understood the seriousness of what had happened at Chernobyl. It was at this point that a special Politburo meeting was held and a commission of inquiry under Mr Boris Shcherbinin appointed.

The cause of the accident was human error, according to Mr Fallin. This was the cause of 70 per cent of atomic accidents in the world.

The reactor fire was extinguished quite quickly, Mr Fallin said.

Asked about the number of people expected to die from radiation, Mr Fallin said that

there would be 50,000 to 100,000 exposed to some 100 rad (a measure of radiation) during the accident, though he would not say whether that at Chernobyl was more or less than the level of radiation to which the Soviet Union had subjected the German correctly but he admitted the news should have been released earlier and expressed surprise that Scandinavian governments had initially been told there was no nuclear accident in the Soviet Union. "I do not know who spoke to the Scandinavians. It could be they only spoke to subordinate officials," Mr Fallin said.

## Italian energy plans attacked

BY JAMES BUXTON IN ROME

THE STRENGTH of anti-nuclear feeling in Italy was powerfully demonstrated in Rome at the weekend when an estimated 100,000 people took part in a protest march calling for a ban on nuclear power.

The march, which was largely silent, passed close to the Soviet embassy in Rome, but its main target was Italy's nuclear power programme, which aims at adding three to four power stations to the country's three functioning plants.

The march was officially sponsored only by the left wing Radical and Proletarian Democracy parties. It received indirect support from the Communist Party, although the party is officially in favour of

a modest nuclear programme. The anti-nuclear movement in Italy, which has always been fairly strong, has been strengthened by the Chernobyl disaster.

At the weekend, the municipal authorities at Trino Vercellese in Piedmont, asked Enel, the national electricity authority, to stop preliminary site preparations on a nuclear power station there. This was a "pause for reflection" until new safety standards can be established.

On Friday night, following a meeting of the inner cabinet, Mr Renato Altissimo, the Minister of Industry, said that the national energy plan, which called for the construction of new nuclear power stations, was "going ahead."

"There must be a re-consideration, but at the international level," he said.

At the weekend the Government lifted the ban on the sale of leafy vegetables and restrictions on milk in Sicily and Sardinia.

Agencies said 71 anti-nuclear protesters were arrested in Luncheon, West Germany, yesterday after trying to block a railway line leading to a nuclear waste dump close to the East German border.

In Yugoslavia, environmentalists at a protest rally have urged the Government to seek compensation from the Soviet Union for radiation damage from the Chernobyl nuclear plant. About 1,000 youths attended the rally on Saturday in the north-western city of Ljudjiana.

## Poland puts faith in N-plants

A LONG-TERM Polish economic plan, published for consultation at the weekend, stresses nuclear power as a means of satisfying future energy needs. The plan, which was unveiled after the Chernobyl accident, the Government assumes that Poland's first 1,700MW nuclear power plant at Zarnowice near the Baltic, now under construction, will be completed and work on a second will start soon in the north-west.

After 1985, the plan says, four more power plants will have to be built as the greatest share of power production shifts to nuclear energy and lignite-powered plants away from coal.

## France reveals radiation levels

BY DAVID MARSH IN PARIS

FRANCE has revealed that parts of the country suffered much higher doses of radioactivity than normal after the Chernobyl nuclear disaster, although the levels are said not to have posed a danger to health.

Publication of the figures a fortnight after the accident by the French Radiation Protection Service (SCPRI) has raised a flurry of controversy.

Although the French anti-nuclear movement is tiny compared with those of Britain and West Germany, French ecologists have accused Prof Pellerin, the SCPRI

chief, of covering up the impact on France of the nuclear mishap.

The SCPRI said at the weekend that parts of France had suffered radioactivity levels 400 times higher than normal in the days after the Chernobyl accident, with highest levels recorded in Alsace in eastern France.

This follows a week in which French nuclear experts have been claiming that the country—as a result of its geographical position and the prevailing winds—was largely spared the radioactive belt which passed over Europe after the catastrophe.

Prof Pellerin said that although regional levels of radioactivity were higher than normal they gave no cause for worry. His optimism has been challenged above all in Alsace, where the CPDT trade union has accused the authorities of holding back information.

The low level of anti-nuclear feeling in France—where the ecologists polled about 1 per cent of the vote in the recent general elections—has been both cause and effect of France's mammoth nuclear power programme, which now accounts for 55 per cent of the country's electricity production.

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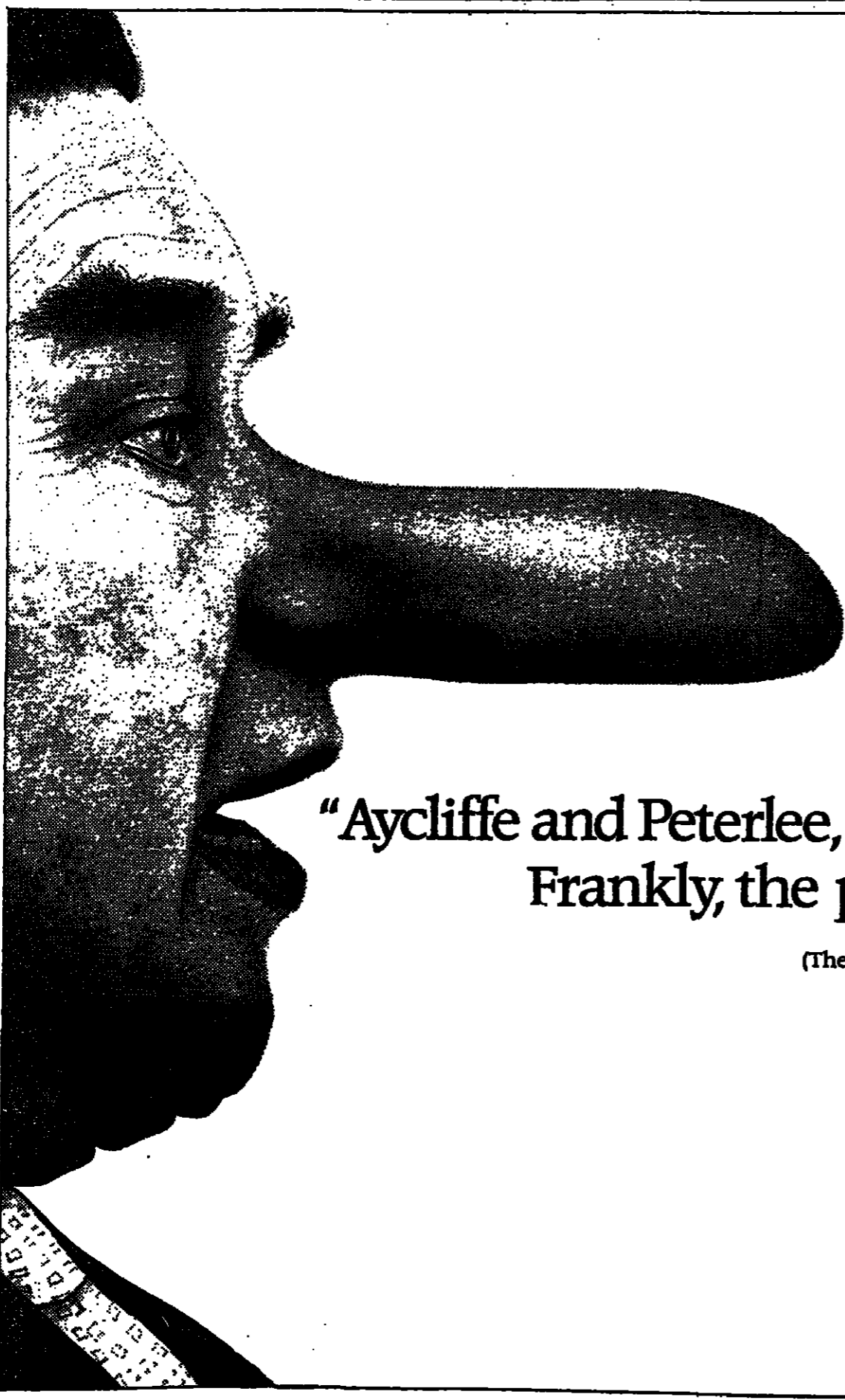
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OVERSEAS NEWS

Nasa accused of 'glossing over' booster problem

BY NANCY DUNNE IN WASHINGTON

AN INCREASINGLY angry presidential commission has faulted NASA the US space agency for "glossing over" its problems with the space shuttle's booster rockets and has denounced the demotion of officials who warned against the disastrous January 28 launch of the Challenger.

In transcripts released on Saturday of testimony taken at a closed door hearing on May 2, members of the commission learned that Morton Thiokol, manufacturer of the shuttle's boosters, had transferred Mr Allan McDonald and Mr Roger Boisjoly after the two engineers had told the commission of their warnings not to launch the shuttle in the freezing January 28 temperatures.

The company denied it had sought to punish the two or to frighten others from testifying, but the two men were stripped of their authority and their jobs.

Mr William Rogers, the commission chairman, called the job changes "shocking" and added that the two men were being "punished for being honest".

If their warnings had been heeded that day... we might never have had an accident," he said.

One panel member, Mr Joseph Sutter, a Boeing vice-president, criticised NASA for failing to test the boosters "one one-hundredth of what you need to say it is safe."

"I am going to see that... there is going to be a lot of full-scale testing" before the shuttle flies again, he said.

Such tests could delay the resumption of shuttle flights well beyond July 1987, when they are tentatively scheduled to resume.

Panel members pressed repeatedly and unsuccessfully for explanations about Nasa's handling of the booster problems and why warnings had been ignored. These, Mr Rogers said, had been "glossed over" in a "slick way."

Mr Lawrence Mulloy, chief of the rocket programme at the Marshall space flight centre, had signed six separate waivers permitting the rocket flight to go ahead, all the time knowing of engineers' concern about the erosion of the rubber O-rings which sealed the rocket joints.

Mr Mulloy, who was said in testimony to have pressured Morton Thiokol for launch approval on January 27, last Friday was transferred to another job. He will be assistant to the director of science and engineering at Marshall, a position with no defined responsibilities.

Documents released on Saturday also showed that the US Air Force had warned Nasa that its Titan rocket boosters had suffered O-ring erosion. Nasa, however, had failed to tell Titan managers that the shuttle was experiencing similar problems.

Nasa announced late last week that it will ask a panel of independent experts to oversee the redesign of the booster joints.

Chirac orders cuts of FFf 40bn

By David Housgo in Paris

MR JACQUES CHIRAC, the French Prime Minister, demonstrating his determination to cut public spending, has instructed Government departments to achieve FFf 40bn (£3,748m) of budget savings in 1987.

The FFf 40bn reduction—equivalent to 1 per cent of gross domestic product—is in line with the combined election manifesto of the neo-Gaullist RPR and the centrist UDF parties.

Mr Chirac intends to use the savings to reduce the budget deficit and to cut taxation. Since the election he has promised a FFf 15bn-20bn reduction in the budget deficit next year from an anticipated FFf 144bn this year, and about FFf 40bn in tax cuts.

Even with the level of budget savings he is seeking, the targets will be hard to achieve—hence the growing belief that some of the tax cuts will be sacrificed.

Mr Chirac's instructions were contained in the traditional letter sent to ministries as the first step in drawing up the annual budget.

The Prime Minister has called for a 1.5 per cent cut in the number of public employees.

Fatah fighters return to Lebanon

BY ANDREW WHITLEY IN AMMAN

THOUSANDS of Palestinian fighters are being sent back into Lebanon by Fatah, the predominant group in the Palestinian Liberation Organisation (PLO) nearly four years after their bloody expulsion from Beirut by the Israelis, a senior Fatah official said in Amman at the weekend.

Mr Khalil al-Wazir, known as Abu Jihad, head of Fatah's military command, said his organisation's fighters were being encouraged to return from their scattered places of exile to defend the Palestinian refugee camps in Lebanon.

Israeli military officials have been reporting for weeks that they have detected a significant increase in Palestinian guerrilla activity in southern Lebanon, directed against their self-proclaimed security zone in the border region.

Other senior PLO members here confirm that a tacit alliance of considerable potential importance is shaping up in southern Lebanon between the PLO and Hizbullah, the Iranian backed radical Shi'ite group. Hizbullah has made a determined effort in recent months to expand its presence and influence in the Israeli border region.

According to Mr Mohammed Mihem, a member of the PLO's executive committee, the link-up with the Iranian backed group, which has been involved in many terrorist incidents, stemmed from the daily clashes he said have been taking place between PLO guerrillas and members of Amal, the dominant Shi'ite militia group in southern Lebanon. Mr Mihem accused Amal of having reached secret agreements with Israel.

Any faction which fights us in Lebanon is carrying out the plans and achieving the goals of Israel," he said.

The unlikely looking marriage of convenience between the PLO and Hizbullah is likely to have been one of the topics discussed by President Hafiz al-Assad of Syria and King Hussein of Jordan at their two-day meeting here last week.

Both countries are thought to be watching the alignment with some concern.

Since King Hussein's public break with Mr Yassir Arafat, the PLO leader, in February, Western diplomats say increasing—though still low-level—pressure has been exerted on the PLO presence in Jordan.

In the latest of a string of incidents, five Fatah members were arrested last Thursday for the illegal detention of a Palestinian woman they suspected of being an Israeli spy.

Among them was a personal security officer of Mr Arafat.

Jordan acts over money exchanger collapse

By Rami Khouri in Amman

THE central bank of Jordan and the Jordanian financial community have reacted swiftly to the collapse last week of Jordan's second largest money exchanger, Saliba and Rizk Shukri Rizk, after the suicide on Thursday of Mr Saliba Rizk.

The Rizk company collapsed last week with total liabilities estimated at around Dinars 18m (£33.7m). On the central banks instruction, the company has appointed auditors to review its assets and to assess its ability to meet outstanding debts.

Foreign banks and foreign exchange houses abroad are owed Dinars 2.6m while about Dinars 9m is due to local depositors and another Dinars 3m-4m is in the form of floating checks and remittances in transit.

The collapse of the Rizk, Jordan's second largest money changer and a highly respected company with over half a century of experience in the area, will not affect the Jordanian banking system.

Dr Maher Shukri, central bank of Jordan's deputy governor, said yesterday: "The company's loans from banks are fully covered by securities and collateral whose value exceeds the Rizk's indebtedness to banks."

Libyans face further clampdown in Spain

BY DAVID WHITE IN MADRID

A FURTHER clampdown on Libyan activities in Spain is expected following the arrest of an alleged terrorist ring said to have received Libyan support for attacking US interests.

However, the Spanish Foreign Ministry said yesterday that Madrid did not intend to break its relations with Tripoli.

The arrests were disclosed at the weekend shortly after the detention of a Spanish army colonel and the expulsion of a Libyan diplomat over an

alleged plan to obtain Libyan backing for an extreme right-wing group in Spain.

The new arrests involve four Spaniards, a Portuguese, three Lebanese, a Jordanian and a Syrian. They are accused of belonging to a Lebanese-based anti-Zionist group, the Call of Jesus Christ, and of involvement in a terrorist attack against Air France's offices in Lisbon last month and the attempted bombing of Bank of America's branch in Madrid on May 2.

Two of the accused, one Spaniard and the Portuguese member of the ring, who were arrested after the hitherto undisclosed Bank of America bombing attempt, are reported to have sold police they were promised that they would be paid \$70,000 from Libyan officials for participating in the Lisbon and Madrid attacks.

Spanish newspapers quoted police sources as saying they had proof that the terrorists received financial support and

material from Libyan citizens, some of them connected with the Libyan People's Bureau in Madrid.

The Lebanese group is said to have links with several far right organisations in Latin America, including the notorious Argentine Anti-Communist Alliance (AAA).

Madrid has expelled 15 Libyan citizens since the beginning of the year, including three accredited diplomats and several other employees of the People's Bureau.

Ecuador set to sign \$150m Treasury loan

By Peter Montagnon, Economist Correspondent

ECUADOR is expected this week to sign up for a \$150m (£97.4m) short term loan from the US Treasury as part of a funding programme designed to offset a shortfall in export receipts caused by plunging oil prices.

Government officials in Quito have said that the country will need about \$400m in extra loans to "plug the gap" in the country's balance-of-payments caused by the fall in oil prices from an average \$22 per barrel last year to around \$15.

Among other borrowings Ecuador is expected to seek a \$200m oil trade finance facility, to be arranged on a semi-voluntary basis from bank creditors, as well as a \$150m credit financed jointly by commercial banks and the World Bank.

Bankers said there is considerable sympathy for Ecuador which has taken rigorous measures to curb its budget.

US economy 'hurt' by Latin American policy

By Nancy Dunne in Washington

REAGAN Administration policies towards the Latin American debtor nations have assisted US banks while sacrificing the interests of the US economy as a whole, according to a new study released by the bipartisan congressional joint economic committee.

The study, which is bound to appeal to populist forces in this election year, is also highly critical of the Baker plan, which it said would simply transfer more funds to the indebted nations to be used for interest payments.

According to the committee, the Administration's programme has prevented a collapse of US banks so that profits and bank stocks have risen in the last four years. Farmers and manufacturers, however, have lost many of their Latin American markets as the debtors reduced their imports.

Peru top military warned of terrorist attack threat

BY DOREEN GILLESPIE IN LIMA

SENIOR military personnel in Peru have been warned by the Ministry of War that they have become potential targets for terrorist acts by Sendero Luminoso (Shining Path), the Maoist guerrilla group. The warning follows the shooting on Sunday in Lima of a rear admiral in the Peruvian navy's high command.

Rear Admiral Carlos Ponce was assassinated by four people using machine pistols and hand grenades. He was the highest ranking member of the military to have been killed by the

guerrillas who began their insurgency in the Ayacucho region of south-central Peru in 1980.

In the past three months the security forces have stepped up their efforts to curb the rise in urban guerrilla violence which corresponded with greater control by government troops over rural areas where Sendero Luminoso operates. In February, President Alan Garcia declared a state of emergency in Lima and since then 58,111 people have been rounded up and four shot dead for curfew violations.

Brazil promises to spare Africa's coffee markets

BRAZIL, the world's biggest coffee producer, has promised to control sales of the commodity to avoid threatening Africa's traditional markets, according to the president of the Brazilian Coffee Institute (IBC).

Mr Paulo Graciano said that most of Brazil's output of robusta coffee would stay within the country this year. He was speaking after two days of talks with officials from Ivory Coast, Africa's leading coffee exporter.

Brazil is better known as an exporter of arabica coffee beans, which are milder than robustas. But it has recently stepped up output of "tonilon" (secondary robusta) beans, sparking fears among African producers that they could be squeezed out of their traditional consuming markets.

Many west and central African countries depend on robusta coffee for a large part of their export income.

Out of an expected 1986 robusta coffee crop of around four million 60-kg bags, Brazil would export a maximum of one million, Mr Graciano said. Some 2.5m bags would be consumed at home and used in the local soluble coffee industry.

Last year Brazil exported around 1.7m bags of robusta coffee. Mr Graciano said African fears were misplaced. "I tried to reassure Ivory Coast about our intentions,"

he said after meeting President Felix Houphouët-Boigny, Agriculture Minister Mr Denis Bra Kanon and the director-general of the country's commodities marketing board, Mr Norbert Kouakou.

Ivory Coast is expected to produce around five million bags of solely robusta beans during the 1985-86 international coffee marketing year.

Mr Graciano said the two countries agreed to take concerted action to cut the unusually large differential, now about 80 cents per pound, between the world price for arabica beans and the cheaper robustas.

A recent severe drought in Brazil's main arabica growing areas is expected to cut the country's total coffee output by more than half this year compared with 1985. This has led to a sharp rise in all world coffee prices but has widened the differential in favour of arabicas.

A statement signed by Mr Bra Kanon and Mr Graciano said the two exporters would avoid any action which would depress prices for both coffee types but would also aim to "reduce the differential the level of which, according to an in-depth analysis, does not seem fully justified."

Brazilian coffee marketing would be undertaken "without compromising the normal sale of African robustas," it added. *Reuters*

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So if markets change or your company expands or even merges, for example, you can change your system in months, or even weeks, rather than years. Or if foreign competitors start nibbling at your margins, you can act before any real damage is done.

FACT: Eric Holloway, of British Alcan Aluminium, said recently: "We had estimated a conventional system would take six man years to develop and implement, with LINC we were up and running with a working system in four months."

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For more information, call Brian Reynolds on 01-750 1420. Or write to him at Burroughs, Heathrow House, Bath Road, Hounslow, TW5 9QL.

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OVERSEAS NEWS

Ershad's party increases lead

BY JOHN ELLIOTT IN DHAKA

The Jatiya Party in Bangladesh which backs the martial law regime of President Hussain Mohammad Ershad continued to build up its lead over opposition parties in vote counting yesterday following last week's controversial general election.

By last night it had 118 seats compared with 87 held by an eight party alliance led by the Awami League when 245 of 300 seats in the election had been counted. This indicates that it is still heading for a simple majority which will be enlarged when independents and 30 nominated women members are added.

But there is major criticism in Bangladesh over the way the polls were held. The credibility of both the election and the new national assembly will suffer even if Sheikh Hasina, leader of the Awami League, sticks to her stated intention of taking up the Alliance's seats in the assembly. She may, however, come under pressure from supporters to change her mind, now that the parliament has been weakened.

The criticism will damage the reputation and standing of President Ershad who has fully deflected opposition to his military regime for four years and has avoided any risk of a coup by other army officers. He has carried all levels of the armed forces with him in the past and has involved the army closely in the rallying of the country.

Hong Kong lending rate cut

THE Hong Kong Association of Banks this week-end trimmed the prime lending rate by half a percentage point to 7 1/2 per cent as a flooded back into the banking system after 10 days locked into the heavily over-subscribed public flotation of Cathay Pacific Airways.

S. African police seal off township

SOUTH African police and army units have sealed off the township of Alexandra in Johannesburg's northern suburbs for the past two days in an effort to end several weeks of violence.

Company Notices

ARROW CAPITAL N.V. Established in Curaçao. NOTICE OF ANNUAL GENERAL MEETING AND REQUIRED TO BE HELD.

Contracts & Tenders

WANDSWORTH BOROUGH COUNCIL Heating and ventilation contractors wishing to be considered for selection to tender for the renewal of boilers and associated plant at Winstanley Estate, London, SW11, should submit names to the Director of Administration, Room 111, Town Hall, Wandsworth High Street, London SW18 2PU by 28th May 1986, quoting reference BA/9/328.

NOTICE OF REDEMPTION To the Holders of

Bank of Tokyo (Curaçao) Holding N.V. U.S. \$100,000,000 12% Guaranteed Bonds Due 1992

NOTICE IS HEREBY GIVEN to the holders of the 12% Guaranteed Bonds Due 1992 (the "Bonds") of Bank of Tokyo (Curaçao) Holding N.V., a Netherlands Antilles corporation established in Curaçao (the "Company"), that pursuant to Condition 5(b) of the Terms and Conditions of the Bonds, the Company has elected to redeem, on June 11, 1986, a part of the Bonds in the aggregate principal amount of U.S. \$3,000,000 and bearing the following serial numbers at the redemption price of 101% of the principal amount thereof, together with accrued interest to such date of redemption which will amount to \$45.91 per Bond.

Table with columns for SERIAL NUMBERS OF BONDS TO BE REDEEMED and corresponding bond numbers.

Payment of the redemption price and accrued interest to such date of redemption will be made on or after June 11, 1986 upon presentation and surrender of the Bonds to be redeemed, together with all appurtenant coupons maturing subsequent to June 11, 1986 at the principal offices of any of the following Paying Agents, namely, The Bank of Tokyo Trust Company in New York City, The Bank of Tokyo, Ltd. in Brussels and London, The Bank of Tokyo (Luxembourg) S.A. in Luxembourg and Bank of Tokyo (Switzerland) Ltd. in Zurich, except that payment of the above-mentioned accrued interest will be made only at the aforesaid office of any Paying Agent other than the Paying Agent in New York City.

On and after June 11, 1986, interest on the Bonds to be redeemed will cease to accrue.

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Portuguese PM may force poll

PORTUGAL'S Prime Minister, Antonio Cavaco Silva, warned supporters at a rally marking the 25th anniversary of the Socialist Democratic Party that he would force an early election if parliament opposed key pieces of legislation, writes Diana Smith in Lisbon.

Alberta Conservatives suffer poll setback

The ruling Progressive Conservative Party in the oil-producing Canadian province of Alberta has suffered a setback by losing more than a dozen seats in elections last week, writes Bernard Simons in Toronto.

Chemical weapons pact agreed

West German Foreign Minister Hans-Dietrich Genscher said West German and US officials have agreed in principle on an accord which would remove American-made chemical weapons from West Germany, AP reports from Bonn.

Financial Times Classified Advertisements

Table with columns for Rate, Single column, and Double column.

The 1986 World Motor Industry Conference

Geneva, 28 & 29 May, 1986. Vehicle Distribution and Marketing.

Art Galleries

BROWNE & DUNN, 11, COCK STREET, LONDON, W1. Recent Paintings.

Clubs

ROYAL SOCIETY OF MUSICIANS, 15, ROBERT ST., W1. 01-254 0857.

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سكوت من الالوجيل

WORLD TRADE NEWS

### EEC likely to oppose Japanese television norm

BY DAVID MARSH IN PARIS

THE European Community has served notice that it intends to oppose US and Japanese demands for the quick introduction of a single world standard for high definition television (HDTV).

The issue, which many European consumer electronics companies believe is of vital importance for the future of an important market, is due to be discussed at a meeting of television engineering experts from more than 70 countries at Dubrovnik in Yugoslavia later this month.

Delegates from the 12 EEC members meeting in Brussels last week at the initiative of the European Commission reached unanimous agreement that it was premature to choose the Japanese norm for 1125-line 60 hertz television for high quality programmes in the 1990s.

In an unusual display of harmony, the US and Japanese Governments have joined forces in pushing for the norm to be chosen at the plenary session of the International Radio Consultative Committee (CCIR) in Dubrovnik.

EEC countries believe that introducing a Japanese norm for the production of programmes before separate standards have been worked out for transmis-

sion and reception of HDTV risks giving Japan a considerable competitive advantage.

Last week's Brussels meeting adopted a British recommendation that the matter should be studied for at least two years before a decision be taken.

Mr Jean Calliot, general manager of the international division of France's Thomson electronics group, who led a delegation of European industry representatives in talks with the US and Japanese in Tokyo on May 6 and 7, said the meeting had been "tough".

Japanese companies pushing the standard developed by the Japanese Broadcasting Corporation (NHK) however received a "cold shower" when they realised European companies had not come to Tokyo just to sign up licenses, he said.

French diplomatic contacts suggest that much of Africa, the East bloc, South Korea, China, Malaysia as well as various Middle East countries like Lebanon, Iraq and Syria are lining up on the EEC side.

The US/Japanese proposals—which are being strongly canvassed by CBS, one of the big three US television networks—being supported by Canada and dry dock carriers to switch their eyes to oil trading, brokers

begins next year, is for 80,000 multiplexers in the first year and more later on, depending on the speed of installation of an integrated services digital network (ISDN) in the US. The multiplexer allows simultaneous transmission of voice, pictures and data over the ISDN and uses a sophisticated microchip developed jointly by AT&T and Philips.

AT&T and Philips still hopes for a major contract from France, perhaps in the next month, according to the company.

### Australia awards helicopter contracts

By Patricia Newby in Melbourne

AUSTRALIA has awarded two helicopter contracts worth A\$500m (225m) to Sikorsky of the US in face of strong competition from Aerospatiale of France.

Mr Kim Beazley, the defence minister, argued in federal cabinet for the Sikorsky helicopters on technical military capability against a strong case put by the Industry Minister, Senator John Burton, that Aerospatiale's tender would provide greater benefit to Australian manufacturers through offsets and technology transfers.

The bigger of the two contracts, for 14 Sikorsky 60A multi-mission Black Hawks for the Royal Australian Air Force (RAAF), is worth around A\$300m. The Black Hawks will replace the RAAF fleet of "Huey" helicopters.

The plan is to increase the Black Hawk fleet to 48, but if the recommendations of a recent report to Government on defence capabilities is accepted, up to 100 more machines could be bought.

The second contract, worth A\$200m, is for eight helicopters to add to the Royal Australian Navy (RAN) fleet of Sikorsky Sea Hawks.

## China lures UK games machine makers

BY MIKE SMITH

CHAIRMAN MAO would not have been amused, but British games machine companies think they could be on to a winner in China.

In the days before the People's Republic opened its doors to western industry and culture, the use of video machines, pool tables and remote-controlled model cars would have been unthinkable.

Today there are more than a dozen amusement parks either being planned, under construction or completed in China. The

rapid growth in the number of hotels is also fuelling demand.

British companies have already gained a foothold in the market. For example, Eurotron, maker of products including Go-Karts and bumper boats, has sold £100,000 in equipment and Tornado Products, which makes remote controlled model cars and boats, has won £50,000 of business.

These sums are tiny by international trade standards, but the market is still in its infancy and both companies have been operating in China for less than two years.

Mr Alan Willis, general secretary of the British Amusement Catering Trade Association (Bacta), says the potential is enormous. "China has 1.1bn people, many of them crowded into small areas with high densities of population," he says. "Since the end of the cultural revolution an increasing emphasis has been placed on leisure."

The enthusiasm of the Chinese for amusement machines was demonstrated last month in Peking when 30,000 people attended the first China Amusement Exhibition.

Kentucky Derby, one of 12 British companies represented, had more than 14,000 people play its model horse racing game and, at one stage, the exhibition stand fell down because of the weight of the people pressing against it. "The police were queuing up before the show opened in the mornings, and the chief of police had difficulty getting them on duty for the opening," says Mr Stuart Keane, sales director.

Turning consumer interest into sales, however, will be difficult for all exhibitors, especially in view of the recent

tightening of controls on foreign exchange spending.

One reason the Chinese authorities are promoting amusement parks is that they want to boost tourism earnings. For the moment it is precisely the lack of hard currency which is holding back development of leisure services.

It is early days yet, and the Chinese are not going to rush into anything while they have so many other priorities," says Mr Willis, "but some money is already available" and the amounts will grow.

## Export finance scheme launched Baker 'confident' AMC venture will not collapse

BY ALAN SPENCE

EXFINCO, a specialist UK export finance house, has launched a new scheme which may help UK companies win orders in China.

It involves involving Chinese buyers in renminbi, the non-convertible local currency, while paying up to 90 per cent of the value of contract in sterling to the UK supplier on evidence of shipment.

Exfinco is prepared to guarantee a fixed sterling-renminbi exchange rate at the time an order is placed for up to 12 months in advance—a period which comprises the maximum pre-shipment rate fix period, coupled with 180 days credit on the sale.

Equally advantageous, the Bank of China knows for a similar period the amount of sterling it has to produce to settle the importer's account.

The disadvantage of the scheme to the exporter is that the renminbi-sterling rate may become more favourable to the UK supplier after the company has already locked-in its return many months ahead.

The cost of the scheme to exporters is expressed as a margin over the Exfinco base rate, which reflects the average base rates of the major banks.

The company was set up in April, 1985, initially financed by a £100m syndicated loan and acceptance facility.

Mr James Baker, US Treasury Secretary, says he is confident an ailing American Motors Corporation (AMC) joint venture, seen by foreign businessmen as a touchstone of investment in China, would not collapse, Renter reports from Peking.

Mr Baker, speaking at the weekend at the end of a three-day visit to Peking for economic talks, went on to warn China that American investors were growing restless over roadblocks to their projects.

A \$10m cash problem at the Beijing Jeep Corporation, more than one-third owned by AMC, has prompted wide concern here

that a shut-down might be imminent. "I feel confident there will ultimately be a resolution of the problem," Mr Baker said, citing the fact that Zhao Ziyang, the Chinese premier, had raised the issue in talks with him.

US officials said Mr Baker personally intervened in talks with Chinese officials over the fate of Beijing Jeep, which said earlier this month it planned to halt production of its Cherokee Jeeps for at least two months from mid-June.

It blamed a shortage of foreign currency. It is understood that Chinese concerns involved in the project to make Jeeps from kits were short of fresh orders and hard cash.

ADVERTISEMENT

### AT&T joint venture wins \$100m telecom deal

BY LAURA RAUN IN AMSTERDAM

AT&T and Philips, the US-Dutch telecommunications joint venture has received a six-year order from AT&T in the US for communications network multiplexers that could be worth \$100m.

This would make it the second largest order received by the 30 month old joint venture group. AT&T received a \$11bn (£236m) five year contract from the Dutch telecommunications agency last year to modernise its entire network.

The order from AT&T which

begins next year, is for 80,000 multiplexers in the first year and more later on, depending on the speed of installation of an integrated services digital network (ISDN) in the US. The multiplexer allows simultaneous transmission of voice, pictures and data over the ISDN and uses a sophisticated microchip developed jointly by AT&T and Philips.

AT&T and Philips still hopes for a major contract from France, perhaps in the next month, according to the company.

### SHIPPING REPORT

### Tough times ahead for dry cargo ship owners

BY ANDREW FISHER, SHIPPING CORRESPONDENT

OWNERS OF dry cargo ships are in for a tough few months after the usual seasonal upturn. London shipbrokers said.

Last week saw a slight firming of rates on some routes, for Panamax vessels of 80,000 deadweight tons and able to pass through the Panama Canal through the market for handy-size ships of 20,400 dwt remained dull, said Denholm Coates.

The improved tone in the

tanker market continued last week, aided by continued low oil prices. Galbraith's said there had been more business for VLCCs (very large crude carriers) than for some weeks.

The rate for VLCC voyages from the Gulf to the West however remained below World-scale 30.

A continued upturn in the tanker market is likely to persuade owners of combination carriers, able to carry both wet and dry bulk cargoes, to switch their eyes to oil trading, brokers

# MARUBENI: Trading with New Media and Services

Marubeni, one of Japan's largest general trading firms, does business in a wide range of commodities and services. But more than just a trading company, it acts as a partner with manufacturing, processing, and service firms worldwide. It is a resource developer, a market shaper, and a recorder and analyst of thousands of the world's industries and businesses. Marubeni is also an R&D specialist in dozens of promising new "sunrise" industries and has taken a leading position in the field of innovative electronic data services.

Reflecting the growth of world trade in 1984, Marubeni posted an overall 14 per cent increase in turnover amounting to ¥13.7 trillion during fiscal 1985. As Japan's economy "softens" from commodities to services, trading firms will have to make this transition as well. Learning to trade in soft as well as hard products will spell the difference to future success.

President Kazuo Haruna believes that the key to effective corporate management lies in quickly grasping and properly adjusting to the rapidly changing conditions of industries in every sector. In an interview with Glenn Davis, he explains how Marubeni has been contributing to the growth of international business.

By Glenn Davis



Mr. Kazuo Haruna, President, Marubeni Corporation

Davis: Japanese trading companies and other concerns are now making earnest efforts to expand imports. What measures are you taking in this situation?

Haruna: We are working to strengthen our domestic trade infrastructure on a major scale to expand sales at home, with a company target of an additional one trillion yen this year. For example, we have set up a unique new customer-oriented, horizontal sales branch called "Kanto Shiten", which seems to be the first of its kind in the Japanese market. Seeking new ways to expand the import business, our company has set up an "Internal Import Committee" which has sent purchasing missions abroad five times; the last one being dispatched to Europe and America last October. That mission came back with such purchases as an automatic glass lathe from Litton Industries, an aseptic filling machine and many others. Our import committee is coordinating its activities with special task forces which have been established in New York and London. The Japanese market features price competition and also excellent production and after-sales networks. For example, Marubeni subsidiaries and joint venture companies handle the import of such products as Teacher's Whisky and Rothman Tobacco from Great Britain, Bizzard Skis from Austria and Vitel Mineral Water from France. We also have plans to set up similar import channels within our subsidiary, Marubeni Electronics and Marubeni High Tech. Following such efforts, we expect imports to increase accordingly.

### British Trade

Davis: How has the G-5 agreement and its aftermath affected your company's trade relations with Great Britain?

Haruna: The G-5 agreement has had little effect upon Great Britain. I would rather say that a bigger influence has come from the falling price of oil. Crude oil from the North Sea has dropped below 10 US dollars per barrel so that profit will also decrease. However, there is no other major impact. To the contrary, the dropping price of oil will cause British exports to increase, as cheaper oil prices stimulate continental economies such as West Germany and France. Mr. Taiichiro Matsuo, chairman of our board of directors, has been working for ten years as a chairman of the British Market Council, which endeavours to strengthen the relationship between Great Britain and Japan. Meanwhile, we still maintain six joint ventures in Great Britain, in VTRs, colour TVs, textile

machine, bulldozers, tractors and finance. However, after the G-5 agreement, the yen's sharp appreciation made market competition stiffer. Besides the whisky and tobacco ventures in Japan, we have worked out a chicken (broiler) processing system which uses Tamnabary Development's "chicken harvesting" machine for picking up broilers quickly. Chickens are also imported from Britain and raised in Japan.

This import has been continuing for more than 20 years and this route alone accounts for 9 per cent of the entire Japanese broiler market. Marubeni also exports British gas-turbine generators to Australia's Channel Island in an off shore trade arrangement for John Brown Engineering. The total value of this project alone has reached 75 million Australian dollars. Yet another venture, Marubeni International Finance, was established in London in 1984 and is likely to play an important role in this age of the strengthened yen.

Davis: What is the role of Marubeni in technology transfer to various countries of the world? Is this a new role?

Haruna: A trading company possesses little technology, so we concentrate on transferring management know-how. But I believe that technology transfer will play an increasingly important role in the future, as Japan's overseas production expands and as industrial structures are adjusted to the new economic conditions. Last year, our company exported diesel locomotives to Pakistan. We also exported production know-how. This transfer was important because Pakistan plans to develop their own local industrial production of diesel locomotives starting in 1988.

Davis: Trading companies in Japan seem to be moving rapidly toward adopting the "new media", meaning VANS in most cases. Could

you explain your company's position in this new field?

Haruna: We established our Information Business Division back in 1982 and then set up 12 new subsidiaries in this field, including such services as networking, voice mail, time sharing and software development. Network Service Co. and Ryusai Joho Service Co. are full-fledged VAN networks which have been setting up a complete networking infrastructure ever since. International Timeshare Co. (a joint venture with McDonnell Douglas), Japan Voice Mail Co., and others provide value-added information for our customers. Marubeni also maintains ties with RCA and Sony in the satellite industry. Marubeni's wide involvement in the new media sets it apart from Japan's other general trading companies.

### Expanding Countertrade

Davis: Japanese trading companies seem much more adept at using countertrade than foreign companies. Can you give me your opinions on its pros and cons?

Haruna: Most cases involve either socialist countries, the underdeveloped or the developing countries. For example, we have swapped raw cotton and oranges for construction machines in Greece, and finished products for petroleum in Iraq, Algeria and other countries. In 1985, we established a counterpurchase team within the International Department to coordinate worldwide policy in relation to using this technique. Counterpurchasing takes place most frequently in East Europe and the Middle East, where the total contract value of such deals has surpassed 2 billion US dollars. Such purchases were fewer in the Soviet Union and China, but are expected to grow rapidly in the future.

Counterpurchasing requires a long lead time for all parties concerned to reach a consensus, because the wide range of commodities must be matched with a large variety of customers not only in Japan, but in other countries as well. Most companies don't have the means to make such matches, but since we are a trading company, it is our specialty.

Davis: Japanese companies are breaking away from traditional relationships with banks to raise funds abroad. What about Marubeni's moves in international finance?

Haruna: It's true that Japanese companies have discovered *zaiichai*, making money with money, and are breaking away from bank loans; but it is also true that there is a worldwide money glut. Like real estate, the more stocks and securities that are sold, the more wealth is generated. Marubeni, however, is not playing these money games. We raise money abroad because funding costs are lower by utilizing various *zaiichai* methods.

Our overseas subsidiaries, Marubeni America Corporation, Marubeni International Finance PLC and Marubeni Panama International SA, currently possess commercial paper facilities totaling 415 million US dollars, although CP issues are still not possible in Japan. As a matter of fact, we plan to create a commercial paper facility of 300 million US dollars for Marubeni UK PLC, Marubeni International PLC and Marubeni America Corp. in the European market this year. Although Japanese liberalisation moves lag behind their Western counterparts, we are trying to reduce our costs by diversifying rapidly in international finance, taking advantage of the drift toward securitisation of world markets.

Davis: What about your moves into such new areas as leisure and entertainment?

Haruna: We have diversified rapidly into these areas in past few years. A Corporate Development Department established in 1983 plays a main role in such areas as hi-tech, bio-tech, new services and information industries. For example, we have finished laying cable TV lines in Tokyo and Nagoya and we established an auto leasing company and a joint venture with Vitel for mineral water and health care systems. Providing management and maintenance services to hospitals may create new demand in Japan. And even producing movies is also included in such new fields. In the bio-tech area, it is just the right time to import and sell automatic diagnosis systems from the British company I.Q. and digital subtraction angiography equipment from Quantal.

### World Economic Indicators

	INDUSTRIAL PRODUCTION (1980 = 100)				% change over previous year
	Mar. 85	Feb. 85	Jan. 85	Dec. 84	
US	115.2	115.7	116.6	114.2	+0.9
UK	116.1	108.3	107.6	105.7	+4.2
W. Germany	106.9	106.2	105.5	102.5	+4.3
France	102.0	101.0	101.4	100.1	+1.9
Italy	98.7	97.9	97.4	98.2	+0.4
Netherlands	101.5	100.4	109.6	108.2	-6.2
Japan	121.3	122.0	121.3	120.4	+0.8

Source (except US): Eurostat

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# UK NEWS

## Market is hungry for skilled labour

HEADING the Situations Vacant columns in the April 11 edition of a South London newspaper were two advertisements placed by small engineering companies - one for an estimator, the other for a plant fitter. Neither was filled.

The first, which did not specify a salary, attracted not a single inquiry. The second, paying £130 a week plus overtime, rising after three months trial, brought in eight responses. None was suitable, although one applicant had the correct skill but not the driving licence which was also specified in the advertisement.

The employers were not particularly surprised - this is London, they say. But an investigation by the FT around the country suggests that whatever the level of unemployment it remains difficult to get highly skilled people, while the unskilled are in abundant supply.

In between, the availability of semi-skilled workers depends partly on the area and partly on the relative attractions of the black economy. Many workers in areas like the building trade can find and opt for work paid in cash.

Advertisements placed in local papers around the country in the second week of April brought a good response for semi-skilled vacancies, while there were scores of applicants for unskilled vacancies.

### An inquiry by FT regional correspondents finds wide variations in employment opportunities according to area and levels of training

whether in Cardiff or Cardiff, London.

Mr Bryan Hipkies, works manager at Burcas, a small West Midlands engineering company in Handsworth, had 27 telephone calls in response to his advertisement in the Birmingham Evening Mail a month ago, for two or three fully skilled toolmakers.

He interviewed 21, but the two he took finally will need training. The fully skilled applicants were not interested in £3.50 an hour, when they had been earning £180 a week before being made redundant.

Conversations with other employers advertising that day confirmed that fully skilled workers shed by companies like Lucas and Austin Rover at Castle Bromwich, near Birmingham, opt frequently to remain unemployed rather than take a wage cut, in the hope that something better paid will turn up.

For these people, competition among employers for their skills seems to have changed little from the boom years of the 1950 and 1960s.

Employers in smaller companies in particular are paying the price

for the contraction in training in the engineering sector. One solution to the shortage is to train people. "We don't have the time," said the south London employer, "waiting a fitter". Sometimes there is no choice. Mr Colin Hornsby, operating in a traditional trade in Birmingham's jewellery quarter, wanted experienced solderers. He got five replies to his advertisement in the same paper last month, none of them suitable, so he will fill the gap by training existing employees.

Instrument engineers were described by Mr Colin Appleby, personnel manager of Mintex Don, as "rare birds". After initial difficulties, he managed to fill the vacancy in the Manchester brake-linings plant following his advertisement in the Manchester Evening News.

But in this area, where a recent Chamber of Commerce survey revealed concern about skill shortages, his worry now centres on finding people with computer skills from whom he described as "scarce and expensive".

Turning to semi-skilled vacancies, the regional imbalance in pro-

perity levels and hence demand and supply for labour, begin to show through.

In the Premier area west of Glasgow, Gordon Lewis, a banking company, knew it would not have much trouble finding a bank machine. About 40 men responded to his advertisement in the Glasgow Herald last month, reflecting the surplus of semi-skilled labour in the area, caused by Scotland's traditional industries and the relatively slow pace of implants like Chrysler's.

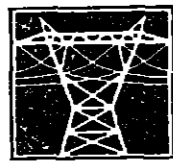
In south London, where mechanics are abundant, the problem is that most of them do not want to be fixed as employees, but to be in control. "I've got a mate in Peckham, which, I've heard, is the former/mechanic's last town."

Welsh carpenters, decorators and plasterers responded in droves to Thomas Construction's advertisement in the Western Mail.

Although some might have been tempted by computer skills, it is probably in the black economy, where have returned applicants been.

Highly skilled jobs, however, are more traditional - ones difficult to fill in all parts of the country. Levels of pay were the most significant factor in determining successful filling such vacancies.

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## Opinion poll finds 50% against nuclear energy

BY PETER RIDDELL, POLITICAL EDITOR

HALF the British public, according to an opinion poll, is now opposed to the use of nuclear power to provide electricity, partly as a direct result of the Chernobyl disaster a fortnight ago.

A telephone survey by NOP of 801 people on Friday and Saturday for the Mail on Sunday newspaper showed only 38 per cent favouring the use of nuclear power, compared with 51 per cent arguing for the use of coal and oil to produce electricity. Some 28 per cent of those opposed cited Chernobyl as the reason for their view.

Equally significant is that 71 per cent of the sample rejected the government and nuclear industry claim that such an accident could not happen in Britain. A roughly similar percentage thought the Government should provide more information.

The same poll found that nearly half, 49 per cent of the sample, fa-

voured the retention by Britain of its own nuclear weapons, with 42 per cent against.

In the past, polls have found that around 60 per cent of the public have supported nuclear power, with just over a quarter opposed.

The latest figures are causing concern within the Government. Department of Environment ministers have urged a cautious approach to the future nuclear power programme with a need for greater explanation and persuasion. But both Mrs Margaret Thatcher, the Prime Minister, and Mr Peter Walker, the Energy Secretary, are firmly committed to the expansion of nuclear power.

The Cabinet has already held two discussions on the implications of the Chernobyl accident, and there is concern about the possible electoral significance of a rise in anti-nuclear feeling.

## Unionists quit talks on Anglo-Irish agreement

BY OUR BELFAST CORRESPONDENT

ULSTER Unionist leaders have pulled out of talks about talks which they have started with government officials in the hope of opening negotiations on the Anglo-Irish agreement.

The exploratory discussions founded because of the Unionists' key demand that the agreement should be suspended before negotiations begin.

The Rev. Ian Paisley and Mr James Molyneux, leaders respectively of the Democratic Unionist Party and the Official Unionist Party, announced at the weekend they had cancelled a meeting with officials tomorrow and would no longer take part in "a useless exercise which would only raise false hopes and which offered no future."

Their joint statement followed confirmation by Mr Tom King, the Northern Ireland Secretary, after a meeting of the Anglo-Irish inter-governmental conference in Lon-

don on Friday, that the UK Government would not continue pending the operation of the agreement.

"The Unionist leaders said the purpose of their talks with officials had been to find a framework to ensure that, during negotiations, the inter-governmental conference would not meet and the Anglo-Irish secretariat based at Maryfield, near Belfast, would be closed down. They said: "It has always been our desire to seek consultation rather than confrontation but the Government seems to prefer the opposite course."

The Northern Ireland Office has not yet responded to the statement but it is expected that Mr King will offer the Unionists the opportunity to re-establish contact at any time they choose. The province otherwise faces further uncertainty in the run-up to the climax of the marching season by loyalists.

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دكتور في الاقتصاد

## Contractors see upturn in civil engineering orders

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

AN UPTURN in civil engineering workloads, with signs of improvement in the level of the industry's activity and contractors' order books increasing in both value and in volume, is reported today by the Federation of Civil Engineering Contractors.

"The industry has been bumping along the bottom but is coming off it now," says Mr Derek Gaultier, the federation's director general.

"I wouldn't say we're more optimistic exactly, but we're certainly less pessimistic. I'm able to express a sort of modified rapture now - and it is years since I've felt like saying that."

The federation's April 1988 workload survey shows that the number of companies with civil engineering work on their books has risen to 92

per cent and the number with none has fallen to 8 per cent.

"The percentage of firms without civil engineering work is the lowest for more than two years," says Mr Gaultier.

An upturn in public sector contracts - partly as a result of the industry's lobbying for more spending on the infrastructure - is partly responsible for the improvement. Another factor is the boom in industrial and commercial building.

Although 90 per cent of civil engineering depends on public-sector contracts, the surge in building of offices, shops and factories has meant associated work on roads, foundations and structural frameworks.

The strongest improvement in workload has been among the largest companies - those employing more than 1,000 people. These have

organised themselves to obtain the smaller contracts which used to be the province of the still hard-pressed medium-sized contractors.

All the large contractors have civil engineering work on their books, compared with 88 per cent of the medium-sized contractors. Twenty-two per cent of the large contractors report that their order books are better than six months ago, compared with 14 per cent of the medium-sized companies.

The Building Employers Confederation has also reported an upturn in workloads. Thirty per cent of companies questioned by the confederation had received an increased level of inquiries for work and 46 per cent were expecting workloads in 1988 to be better than in 1985.

## New law on data protection ignored

By Richard Evans

MORE THAN two-thirds of the organisations, companies and individuals in the UK who use computers for storing personal information are today breaking the law.

This startling information was confirmed at the weekend by Data Protection officials who have received fewer than 100,000 applications from those liable to register under the UK's 1984 Data Protection Act.

The deadline for registration by the 380,000 or more computer users to come within the terms of the complex legislation was yesterday.

Technically those who have not registered details of all the personal data on their computers are liable to fines of £2,000 by magistrates' courts and unlimited sums by higher courts.

In practice, there is certain to be a lagway of several months to allow those who remain unaware of their responsibilities to comply with the law. The act requires everyone to register if they hold computer data on individuals, unless it is purely for payroll purposes. Among other limited exemptions are police records and matters affecting national security.

The Data Protection Register based at Wilmslow in north-west England has run a series of campaigns to publicise the requirements of the Act, but these have clearly been insufficient.

By the end of last month fewer than 50,000 had registered, and by last Friday 90,000 applications had been received.

Mr Eric Howe, the Data Protection Registrar, said there were now over 50 mailbags coming in each day as well as 1,000 telephone calls seeking information. In addition, over 500,000 registration packs had been taken from post offices.

The twin aims of the legislation are to establish a series of safeguards designed to protect individuals about whom information is held on computer and to enable the UK to ratify the Council of Europe convention on data protection in order to protect Britain's trading interests.

But the Act has come in for criticism because of its complexity and the expense involved, particularly by large companies, in complying with all its requirements.

## Industrial spending 'to rise 3%'

BY WALTER ELLIS

THE RATE of increase in manufacturing investment in the UK will fall sharply this year to just 2 per cent, compared with 6 per cent last year and 15 per cent in 1984, according to economic adviser Staniland Hall.

Fixed-capital spending throughout industry, however, is forecast to continue its growth, from last year's 0.9 per cent to 3 per cent this year and 3.8 per cent in 1987.

Staniland Hall, one of the first forecasting agencies, looks towards a fall in bank base rates to 9 per cent by the end of this year, with a further reduction to 7½ per cent by the middle of 1987.

National Westminster Bank, which issued its forecasts last week, agrees with the 9 per cent figure for this year but expects rates of between 8½ per cent and 9½ per cent in 1987.

Materials and fuel costs to industry in Britain are forecast by Staniland Hall to be 5 per cent lower on average this year than last. Unit labour costs, they say, will continue to rise at 4 per cent to 5 per cent, but UK inflation should fall to only 3 per cent this summer and show little upward trend before the end of next year.

In 1987, according to the forecast, there will be a slightly faster

growth in real personal disposable income, "reflecting assumed tax cuts appreciably more than the £2bn 'fiscal adjustment' allowed for in the official 1987-88 projections."

On savings, Staniland estimates an increase during the first quarter of this year. With some tax cuts, a decline in the level of inflation and house mortgage rates down, they expect the savings ratio to ease gradually over the next 12 months.

This would mean an associated rise in consumer spending beyond the expected increase in disposable incomes. Volume increases in savings of 3½ per cent are forecast for this year and 1987.

## BCal dismisses merger 'speculation'

BY LIONEL BARBER

SIR ADAM THOMSON, chairman of British Caledonian (BCal), yesterday dismissed as speculation a weekend report that the privately owned airline was holding merger talks with International Leisure, the Intasun holidays and hotels group.

Sir Adam said he had little to add to previous statements from the two companies that they were discussing collaboration in the use of short and medium-haul aircraft in Europe, both on charter and sched-

uled services. There is no certainty whatsoever that anything at all would come from the talks, he said.

Over the past three weeks the UK travel industry has been alive with rumours about the nature and extent of BCal's discussions with International Leisure (ILG), whose chairman is Mr Harry Goodman.

ILG's charter airline subsidiary, Air Europe, has recently been granted scheduled routes from Gatwick, London to Palma, Barcelona and Gibraltar. Last September it

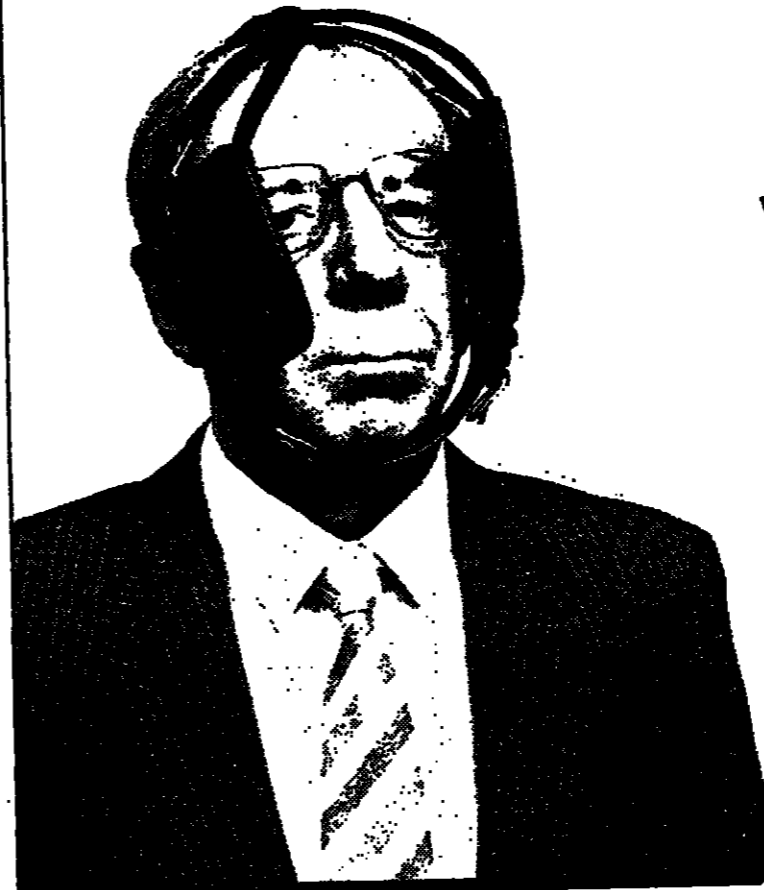
announced it was buying four Boeing 737-300 aircraft for about \$100m. It is to sell one Boeing 737-200.

BCal, an established scheduled carrier operating from Gatwick, also operates a tour company, Jet-Save. It is shortly to dispose of two A310 aircraft and is contracted to buy seven A320 aircraft from Airbus Industrie.

Last December, BCal postponed indefinitely plans for a stock market flotation.

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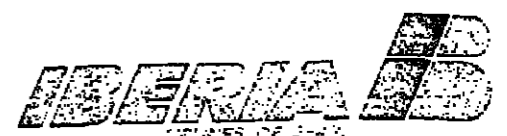
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UK NEWS

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Channel tunnel loan timetable faces delays

BY ANDREW TAYLOR

PLANS by the Anglo-French Channel tunnel consortium to conclude important loan agreements by the middle of this month have been delayed by several weeks. The consortium is also awaiting the outcome of UK parliamentary moves which could slow the passage of the Channel Tunnel Bill...

British and French institutions planned for next month is now expected to take place in July. Euro-tunnel is holding discussions with the London Stock Exchange about the timing of the share issue. A further share issue to raise about £300m is planned for the middle of next year...

Swan Hunter faces big job losses

Andrew Fisher on a privatised yard's need for firm orders

THE KEEL of the last ship in Swan Hunter's order book will be laid in Newcastle upon Tyne this afternoon. Unless HMS Chatham, a frigate, is shortly joined by more orders, heavy redundancies will occur at the newly privatised yard. The ceremony will thus be viewed by management and workers with a mixture of hope and trepidation...

launch of the Coventry in April when the management sidestepped the effects of an overtime ban by skilled workers in support of a pay and conditions claim. Early last year, the yard was promised one of the new Type 23 frigates after another Type 22 order had been given to Cammell Laird...

the absence of something material and commercially acceptable, than those redundancies are inevitable," said Mr Vaughan. If Swan does shed 2,000 people, it will face a redundancy bill of about £12m (£18m). Its institutional shareholders, led by Candover Investments, the management buy-out specialists, have already made clear their reluctance to meet a bill of this size.

Mr Vaughan said the management of Swan and the other yards were aware of the risks of privatisation. The extra capacity provided by the Belfast yard would be a bridge over the gap in the industry as a whole to survive. Swan has been told by the Government it can tender for the second AOR. But this will be with the Harland design, so Swan will not be able to recoup the extra design costs...

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BASE LENDING RATES

Table listing various banks and their base lending rates, such as AEN Bank at 10 1/4%, Allied Dunbar & Co at 10 1/4%, etc.

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UK NEWS

Daimler-Benz overtakes Ford in truck market

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

Daimler-Benz, the Mercedes group of West Germany, has now overtaken Ford to take second place in the UK's heavy truck market.

Last year, Mercedes trucks pushed Bedford, the UK commercial vehicles subsidiary of General Motors, out of third place in the over 3.5 tonnes sector to achieve the highest penetration yet by an importer in Britain.

Daimler-Benz's success has helped the importers' share increase from 35.85 per cent of the 20,142 heavy trucks and articulated trucks registered in the first four months last year to 41 per cent of the 19,328 sold in the same period of 1986.

According to the SMMT, total sales of new commercial vehicles increased by 4.87 per cent in April to 27,341. Sales for the first four months were almost level at 105,814.

Importers boosted their share of the total market from 37.32 per cent in April 1985 to 41.95 per cent in April this year. Their share of sales in the first four months was 41.73 per cent, against 36.87 per cent a year ago.

In the January-April period, sales of light commercial vehicles below 1,800 kg (mainly car-derived vans and micro-vans) were 35,799 (up from 33,788). Registrations of commercial vehicles between 1,801-3,500 kg were 44,413 (down from 45,811).

Bus and coach registrations fell from 1,248 to 1,056. Sales of light four-wheel-drive commercial vehicles rose in the four months from 5,124 to 5,251. But Land Rover registrations slipped from 2,606 to 2,581, partly because of the recent public debate about the future of the BL subsidiary.

Over their showing so far this year, even a combined Ford-Iveco group would still be trailing Leyland.

According to statistics compiled by the Society of Motor Manufacturers and Traders (SMMT), in the first four months of this year Ley-

Ageing population 'will drive up health spending in Europe'

BY LISA WOOD

EUROPE'S ageing population will become one of the most important factors in the provision of health care, according to a report published by Euromonitor, the market research company.

The report states that the over-65s will account for 19.4 per cent of Europe's population by 1990 compared with 10 per cent in 1980.

The study, which examines health care in 14 European countries, says that the 1980s have been a watershed period in health care spending in Europe.

The recession has forced most governments to look carefully at their public expenditure and several countries have already produced long or medium-term strategies for reducing the national flow of cash into care of the sick and elderly. At the same time, expenditure in the

gross national product of many countries has shifted towards other items such as defence. This has put a brake on the rise in health spending - in proportional terms - in most countries.

"For the future," says the report "it must be forecast that health spending will continue to rise in relative terms, if only because of the steadily growing burden of old people, to reach 7.7 per cent of the gross domestic product of the average European country by 1990."

"National variations around this average will remain fairly extreme. However, there will be a tendency for the most lavish health spenders such as Sweden and France to cut their health outlay. The amount spent by consumers directly will increase in every country," it says.

According to the report, in 1985 Sweden topped the European league of health care as a proportion of GDP, spending some 10.1 per cent. Britain, at 6 per cent, was below the average of 7.6 per cent.

London to trade more equity option contracts

BY CLIVE WOLMAN

THE LONDON Stock Exchange will today begin trading option contracts on the shares of Allied Lyons.

Two more option contracts, on the shares of Cadbury-Schweppes and the Ladbroke Group, will be introduced next Monday, as part of a move to increase the number of equity option contracts to more than 40 by the end of the year.

In another move to cope with the rapid expansion of equity option trading, from May 27 the traded option market will stay open an extra 10 minutes until 3.40pm every day.

The extension is considered necessary because of the upsurge in trades as the market in the underlying equities approaches its close at 3.30pm, when traders seek to close many of their options positions.

Over the last 12 months, the volume of daily trades in equity option contracts has trebled. At present there are about 300,000 traded option contracts which are open, representing an underlying value of over £2bn.

Takeover bids approach record level

By Charles Batchelor

THE value of UK takeover bids completed in the first three months of 1986 was £2,058m, more than double the figure for the final quarter of 1985, but slightly less than the record £2,228m achieved in the third 1985 quarter, according to statistics compiled by the Department of Trade and Industry.

Despite the sharp increase in the value of bids in the first quarter, the number of companies acquired fell by 10 per cent from the final 1985 quarter to 108.

Almost 60 per cent of the total value was accounted for by two large transactions, the acquisition of Coats Patons by fellow textile company Vatona Viyell for £738m, and the £488m merger between British Home Stores and Habitat Motocare.

The five-man Eurobond trading team of jobbers Alroy and Smithers, led by Mr Adrian Mills and Mr Bob Bunker, have resigned to join stockbrokers James Capel.

Notice of Redemption To the Holders of Ashland Oil Finance N.V. 8% Guaranteed Debentures due 1987 (now Ashland Oil, Inc. 8% Debentures due 1987)

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture Dated as of June 15, 1972, under which the Debentures are issued, \$2,295,000 aggregate principal amount of such Debentures of the following distinctive numbers has been selected for redemption on the principal amount thereof with accrued interest thereon to the date fixed for redemption:

Table with columns for distinctive numbers and principal amounts of debentures. Includes a list of numbers from 442 to 1728 and their corresponding values.

The selected Debentures can be presented for redemption at the office of Citibank, N.A., Bond Redemption Department, 111 Wall Street, 5th Floor, New York, N.Y. 10038 or at the main offices of Citibank, N.A. in London, Paris, Amsterdam, Brussels, Milan and Frankfurt (Main) or at the offices of Citicorp Investment Bank (Luxembourg) S.A. or Banque Generale du Luxembourg S.A., in Luxembourg.

Payment of the redemption price will be made on or after the redemption date upon presentation and surrender of the selected Debentures at one of the offices listed above together with all coupons appertaining thereto maturing after the date fixed for redemption. On and after the redemption date interest on the selected Debentures will cease to accrue. Interest coupons maturing June 15, 1986 should be detached and presented for payment in the usual manner.

Withholding of 20% of gross redemption proceeds of any payment made within the United States may be required by the Interest and Dividend Tax Compliance Act of 1983 unless the Paying Agent has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the payee.

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# TENSE, NERVOUS HEADACHE?

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THE MANAGEMENT PAGE

Metamorphosis of a European laggard

Corporate Renewal

In the first of a series, Christopher Lorenz discovers how Britain's major computer company has subjected itself to a cultural revolution

THE RECALCITRANT executive had been grumbling all week. He really didn't need all this huffing 'n' puffing 'management development'...

As the teaching and discussion progressed, he gradually fell silent. Then he suddenly stood up and began hanging his head against the wall...

The reluctant head-banger is a product manager at ICL which, with sales of £1bn, is Britain's largest computer company...

Along with hundreds of other episodes all over the company, as well as many step-by-step conversions, the event epitomises the remarkably rapid progress towards professionalisation that has occurred within ICL since 1983...

The crash programme of individual and company-wide learning, involving strategic and organisational skills as well as marketing, is still far from complete. But it has already done at least as much as the company's new range of products and systems to give ICL an unexpected chance of prospering in the threatening shadows of IBM, Digital Equipment and the Japanese computer giants...

The old ICL was technology-

led, had a poor grasp of marketing, lacked clear strategies, and consisted of inflexible and loosely-connected departmental and geographic empires organised along traditionally functional lines.

The new animal is in altogether better shape. This is partly thanks to a much-needed panoply of cost reduction, productivity improvement, tighter budgeting and planning, individual performance incentives, decentralised responsibility, and intensive employee com-

We've shed a lot of our old image of being rather stuffy and inconsistent

munications—all of which have been introduced over the past five years.

More fundamentally, ICL has also undergone a dramatic change in character. From being a maker of general purpose computer hardware ("boxes," in the industry's jargon) it has become a supplier of specialised systems. As part of this shift, it has begun to focus its attention and resources to much more profitable effect.

Most surprising of all, in the light of the company's past rigidities and indecisiveness, it seems to be developing the sort of organisational flexibility, cohesion and effectiveness which still elude many more sophisticated multinationals (IBM especially excepted), but which is becoming crucial to survival in the fast-moving world of global competition, especially in high technology.

ICL's struggle to create a competitive organisation has been far from easy. As well as requiring charismatic leadership and vision, it has involved considerable frustration and strain for everyone involved. The inner workings of a company undergoing radical change are seldom smooth.

Yet there was little choice but to subject itself to the pain.

"No company without the commitment to build this sort of organisational capability will be around in a European electronics by the end of this decade," warns the youthful and evangelistic Dr Robb Wilmot, the former Texas Instruments high-flyer who became the architect of ICL's rescue and revival, before leaving to establish a pioneering pan-European company, European Silicon Structures (ESS). A company's products and technology are purely transient," says Wilmot. "They're the result of organisational capability. It's this that really differentiates companies from each other. It's IBM's key strength."

Wilmot's conversion to this view, over many fraught months in 1983 and 1984, was his own "Road to Damascus."

From an ICL's experience, Wilmot has become convinced that European companies can begin to close the managerial "competence gap" with America and Japan. But it requires an all-out effort. "Continual investment in management development is just as essential as ongoing spending on technology," Wilmot argues. "Yet European companies typically invest less than two days a year in management development, compared with two to three weeks in America. This imbalance needs to be addressed."

ICL's own outlay has certainly been heavy. Between mid-1983 and the end of 1984 it spent £5m—a full 10 per cent of its then meagre profits. One of the largest items was an intensive "mind-shift" programme for the company's top 200 managers. After the initial hump of education and training, ICL's annual spend has now settled down at just under £1m.

"It was a huge investment with—at the time—an indefinite payoff," recalls Peter Bonfield, another Texas Instruments alum who was Wilmot's closest collaborator in the ICL rescue. In late 1984 he succeeded him as executive chairman following ICL's acquisition by STC, the troubled

British electronics group. (STC's much-publicised problems are having no direct effect on ICL, because the computer company is now self-financing, and—so far, at least—the two companies are being managed at extreme arm's length.)

Bonfield is now convinced that the payoff from the education drive has been enormous. "It has played a vital part in changing attitudes and cultures," he says. Though much of the impact on ICL's managerial behaviour has not yet been felt in the outside world, Bonfield says the programme "has already brought about an absolute improvement in our responsiveness to the market. We've shed a lot of our old image of being rather stuffy and inconsistent."

Among the fundamental improvements the programme has wrought are:

- A growing realisation right through ICL that "we're a small company living in an IBM world" in the words of Gill Ringland, one of several middle managers brought in from outside by Robb Wilmot who have already risen into the senior ranks.
• The consequent recognition of the need to specialise and focus tightly on narrow market segments where ICL can achieve leadership, and hold it. This includes the most difficult thing of all—being able to decide what not to do. This ability, which many companies lack, is coming to ICL only slowly, to Bonfield's considerable impatience.
• The realisation that there are many different ways to compete and that it was no longer enough to rely purely on being IBM with technology. Marketing and organisation were even more important.
• The readiness to swallow the company's previous technological pride, and to buy-in products and technology from Japan and elsewhere, or develop them collaboratively.



Robb Wilmot (left) and Peter Bonfield: chief architects of the company's revival

and/or to collaborate on marketing.

• The creation of a new breed of general manager. ICL's traditional technology-dominated culture and its functional structure meant "there wasn't a single general manager in the place," according to a consultant who knows the company well.

Our performance is still rather patchy. But we're half there.

• The creation of a common language and set of marketing, strategic and organisational concepts. This was totally lacking before. "American companies benefit enormously from being able to draw on a large pool of MBA graduates, with a common language and way of doing things," says Warwick Morgan, ICL's director of business planning.

• The ability to respond quickly to change, and also to initiate it. "We're now prepared to change the strategy quickly, and the organisation

with it," says Ninian Eadie, one of Wilmot's chief aides in the ICL turnaround. "Two years ago organisational changes stunned the company, and people went into a state of paralysis. Now we're doing them all the time," says Peter Bonfield.

Eadie points to several outward expressions of this new clarity of purpose, and flexibility of tactics. The way ICL has led the European computer industry's campaign for "open standards" of equipment interconnection "would have been impossible in the past," he says. Nor would the other companies have had sufficient respect for ICL to follow its lead.

Bonfield's claim that the marketplace is already starting to appreciate the "new ICL" is one of its older retailing customers, W. H. Smith, Britain's largest chain of newsagents and stationery shops. Two years ago the company was publicly critical of ICL. "But

at number one, with 50 per cent.

By focusing on narrow segments and offering fully-fledged systems with specialised software, ICL is beginning to have success in retail markets as far apart as France and the United States. In 1985 it claimed to have become US market leader in computer systems for do-it-yourself chain stores—a performance which pulled its American subsidiary out of the red for the first time. This is intended to be just the beginning of a steady shift into other segments.

ICL's own Swedish company, too, has turned the corner thanks to its newly-focused strategy—in its case on part of the finance industry. "Until two years ago we sold to anyone, regardless of who they were—we dissipated our resources," says Hans Tivén, managing director of ICL Sweden.

The improvement in ICL's performance is confirmed by one of its oldest retailing customers, W. H. Smith, Britain's largest chain of newsagents and stationery shops. Two years ago the company was publicly critical of ICL. "But

since then we've significantly made our ground in their marketplace," says the company's purchasing manager, Richard Smalley. He still expects the programme to improve ICL's performance in other areas.

Further evidence of the impact of the programme is ICL's filtered right through the company's advertising, with which ICL has been investing possible "branding" in an executive campaign that the ICL people have not had time to discuss with the marketing department.

Even at home, within ICL, the programme has been making its mark. "It might be that we've advertised ourselves and our voice work better," says Peter Bonfield. "It's not just that we've put our products in the marketplace, it's that we've put our people in the marketplace. That's what's been reformed."

To some extent, the programme has also led to the resignation of several senior managers. "We've only two years into a programme which will take us to implement fully," says Eadie, "but surprising that we've lost people is still rather patchy. But we've half way there in terms of results."

To critics that ICL is not winning enough computer maintenance orders to implement its many contracts, Bonfield replies that "we're not in a position to win more orders. Bonfield admits that "it's always nicer to sell the whole system." But he insists that ICL is well on course.

He is undaunted by its decline in world market share since 1983. "The real test is the company's ability to specialise," he insists. "What matters is that we're getting into our chosen markets."

After achieving an annual growth in group revenues of only 11 per cent over the past year, he says, "we've moved ICL into a new competitive arena." He says, "We're no longer slugging it out with IBM. Our strategy of selling total systems to selected markets is working, and we're not going to be knocked out of the way by IBM."

The second article in this series will appear on Wednesday.

FLYBUY advertisement for the Duty Free Shopping Complex at the airport. Includes text: 'Enjoy the world's Airport Duty Free Shopping Complex.' and 'The duty free bargain centre of the world. Choose from our excellent variety of exclusive items including jewellery, perfumes, electronics, cameras, watches, gold and silver, designer clothes, and more.'

Advertisement for The Financial Times proposing to publish a Survey on Corporate Communications on Tuesday 27 May 1986. Contact: Nina Jasinski, 01-248 8000 ext 4611.

Advertisement for 'DO IT ON VIDEO' by TSBW. Lists services: Sales Presentation, Training and Product Knowledge, Video Brochures, Point-of-Sale, Company Reports and Presentation, Corporate Communication, TV Commercials. Includes address: 34 Gresse Street, London W1P 2AH.

UBAF advertisement showing a balance sheet for December 31, 1985. Tables for ASSETS and LIABILITIES in French Francs and Equivalent U.S. dollars. Includes text: 'The Annual General Meeting held on April 29, 1986 unanimously approved the balance-sheet and accounts for the year ended December 31, 1985...' and 'Ideas unlimited' slogan.

THE ARTS

Architecture/Colin Amery

Pritzker award encourages individual genius

The Pritzker Architecture Prize, which is generously sponsored by the American Hyatt Foundation, has become the equivalent of the Nobel Prizes in other creative fields.



Sculptural dynamics from Gottfried Boehm at the Town Hall, Bensberg, West Germany

Boehm is not a well known architect outside Germany. It would not be so far off beam to describe him as a latecomer to the international architectural halls of fame.

Insensitive architecture built since the second world war. His own work has always been distinguished by what he calls "connections" — establishing an intricate series of links between new architecture and the existing fabric of the city.

The pilgrimage church at Neveles is perhaps the most famous of Boehm's works. A broad brick stepped path leads up towards the towering mountain peaks of the concrete church.

steel, and this is best seen in the new civic centre at Bergisch-Gladbach, and the Diocesan Museum at Paderborn.

Dresden Philharmonic, Martino Tirimo/Festival Hall

Paul Driver

The Dresden Philharmonic, holding performed at the Brighton Festival, arrived in London to give the first, on Friday night, of two evenings entirely devoted to the Beethoven piano concertos.

doubly surprising. Against this must be set the dramatic absurdity arising when the absolutist has delivered the rapturous A flat major melody of the concerto's Largo and promptly gets up to wave his hands.

orchestra impressed with its solidity of sound rather than its stylishness. In Concerto No. 1, the subtlety, intelligence and elegant plainness of Tirimo's approach increasingly regaled themselves, in spite of some eccentricity (strange left-hand insistence on a lively passage in the finale) and persistent tuning discrepancies between himself and the orchestra.

Largo — were singularly unattractive. After the interval the music-making rose to an altogether different plane. Intonation had been put right, and imagination was abroad.

Maskerade/Morley College

Richard Fairman

Public opinion in Denmark is said to have been strongly opposed to an action so nearly blasphemous as setting to music a comedy by the much revered Ludwig Holberg, a central figure in the Danish literature, and it was only the quality of the music in Nielsen's opera Maskerade that won people over.

Large tracts of the work are devoid of action or dramatic motivation. Yet the music seems unaware of this and fills even the most vacant spaces with music that is teeming with ideas and comic brilliance.

poser; and the leading couple, Warwick Dyer and Elizabeth Chard, sang well in their love duet, the most touching and memorable music of the opera.

BP sponsorship

BP is to sponsor a series of Arts Journalism Awards covering journalists, broadcasters and photographers, with first prizes of £1,000 in the three categories.

The Two Noble Kinsmen/Swan, Stratford

Michael Coveney

The Royal Shakespeare Company's third Stratford-upon-Avon auditorium opened Thursday thanks to an anonymous American benefactor who chanced upon the gallery and bookshop after a rainy day matinee in the main house.

the jailer's daughter, unnamed and driven mad by Palamon's indifference to her infatuation with him, a once removed echo of his first-sight passion for Emilia.

Après 'L'Après-midi'/Festival Hall

David Murray

With generous sponsorship by Chanel, Simon Rattle and the Philharmonia are undertaking an intensive survey of modern French music from Debussy and Ravel — some familiar, some much less so — to Messiaen and Boulez.

Jaume, which of course began the evening (and is also Mallarmé-inspired). There, for once, I thought the oboe out-magicked the famous flute.

The Phoney Physician/Almeida

Martin Hoyle

The company from studio of the Leicester Haymarket Theatre ended its short London season of three productions on Saturday night. David Murray has already noted their revival of Brecht's *Sea in the Sun*.

humour recalls silent film comedy; some of the verbals are unworthy ("It's the other way round, surely").

Arts Guide

Music

ITALY Rome: Auditorium in Via Della Conciliazione. Pierluigi Urbini conducting. Handel's *Giulio Cesare* (Tue), Salce, Mozart, *Don Giovanni* (Wed), Salce, Mozart, *Don Giovanni* (Thu), Salce, Mozart, *Don Giovanni* (Fri).

LONDON London Philharmonic Orchestra conducted by Klaus Tennstedt with Glenn Gould, violin. Beethoven, *Symphony No. 5* (Mon), Royal Festival Hall (Mon), (928 3191).

Paris: Grand Auditorium. Mozart, *Don Giovanni* (Tue), Saint-Severin church (463 6761).

VIENNA Florian Zeller, violin; Halina Nis, piano. Mozart, Beethoven, Respighi, *Konzertstück* Schubert (Tue).

NEW YORK New York Philharmonic (Avery Fisher Hall). Zubin Mehta conducting, *Verdian* (Tue), *Verdian* (Wed), *Verdian* (Thu).

NETHERLANDS Utrecht: Vredenburg Anton Kjerfveit conducting. The Netherlands Philharmonic with Miriam Fried, violin. Beethoven (Thu), Beethoven (Thu), Beethoven (Thu).

WASHINGTON National Symphony (Concert Hall). Peter Maag conducting. Mozart, E. Strauss (Tue); Hugh Wolff conducting with Men of the Oratorio Society.

CHICAGO Chicago Symphony (Orchestra Hall). Kurt Masur conducting. Samuel Magad violin, Joseph Golan violin, Milton Preves viola, Joseph Quaststafsting bass.

TOKYO Gekken Hanzon (Liaison Hall); Debussy, Busoni, Liszt, Vario Hall, near Tokyo University (Mon), (631 4461).

Musica/Monday, Opera and Ballet/Tuesday, Theatre/Wednesday, Exhibitions/Thursday, A selective guide to all the Arts appears each Friday.

May 9-15

Saleroom/Antony Thorncroft

A not so poor Yorick

Friday, with the star lot one of the four pianos made to the idiosyncratic designs of C. R. Ashbee, has a reputation by the "anti industrialism" movement of the late 19th century and embraced the ideas of Ruskin and Morris.

On Wednesday Glendinning's, which specialises in auctioning coins and medals, is offering a most comprehensive collection of medals and decorations relating to the Royal West Kent Regiment.



Zabina Mehta, who this week conducts the New York Philharmonic Orchestra.

Robert Taub, piano recital (Alice Tully Hall). A 70th birthday salute to Milton Babbitt including the world premiere of Lagnier's works by Bach, Brahms, Ravel (Wed), Lincoln Center (974 6770).

**FINANCIAL TIMES**

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Monday May 12 1986

**New realism in agriculture**

**TWO CHEERS** for an unsung clause in last week's Tokyo summit declaration: that referring to agriculture.

"A situation of global surplus now exists for some important agricultural products, arising partly from technological improvements, partly from changes in the world market situation, and partly from long-standing policies of domestic subsidy and protection in agriculture in all our countries," the leaders noted. "This harms the economies of certain developing countries and is likely to aggravate the risks of wider protectionist pressures."

Never mind the blandness of the words; never mind that these are facts which economists have been complaining about for years. The declaration does indicate that, at long last, the manufacturing sector is coming to an end, and that the leading agricultural powers are beginning to recognise that they have a common and highly intractable problem.

The world agriculture industry today presents one of the most intriguing paradoxes. Almost everywhere, government spending on farm support is at record-breaking levels. Yet despite this, more farmers than at any time in decades—whether in the US, Europe or in exporting countries of the developing world—are complaining of penury.

**Income squeeze**

In America, thousands of producers are being forced out of business because they cannot service their debts, in the main because of the income squeeze. In Europe, the income squeeze is putting pressure on ministers to resist further efforts at agricultural reform. Even in countries which have often been portrayed as having a strong comparative advantage in agriculture—New Zealand in dairy products, for example, and Argentina in wheat—large numbers of farmers are on the march to protest at declining incomes.

It is difficult to see how they can be expected for the whole pattern of world trade is moving against them. Technological advances have wrought massive and accelerating increases in agricultural yields over the last 30 years, both in developed and developing countries. America and Europe are growing surpluses to be sold on the world market, the developing countries which

they once saw as their main potential customers are becoming self-sufficient.

China, for example, is now a substantial exporter of maize; India a major exporter of wheat. Those countries which are desperately short of food—mostly in Africa—have no money to pay for it. Most aid donors believe they need to boost their own production rather than become even more dependent on expensively-provided gifts from the west. As a result, the Soviet Union remains virtually the only substantial regular buyer on world grain markets.

**Tackling symptoms**

Yet many of the principal agricultural countries are still stubbornly trying to manipulate the market from the world market. In the US, while market prices of farm produce are being sharply reduced under the new farm legislation, farmers' incomes will continue to be sheltered by government handouts. In the EEC, the recently-agreed agricultural package is supposed to represent a price freeze, but nobody believes it will make any dent on production levels.

The forthcoming multilateral negotiations under the General Agreement on Tariffs and Trade (GATT) represent one urgent way of defusing these pressures. But in a sense, as the summit declaration tacitly recognises, those talks will only be tackling the symptoms: the export subsidies and the access barriers. The illness itself—in agriculture just as in steel or ships—is surplus production capacity.

The real issue which they need to face is that the current US and European systems of subsidising agricultural production are bankrupt. They merely encourage the maintenance of over-guaranteed industries while failing to address the social concerns which form an important part of the rationale for supporting farmers in the first place.

The only way out of this damaging spiral is to expose agriculture more fully to the disciplines of the market-place. If farmers are to be subsidised on social or environmental grounds, so be it. But such subsidies could be designed to encourage the idling of land, not the production of goods for which there is simply no market.

**Mrs Brundtland moves fast**

NORWAY'S new Prime Minister, Mrs Gro Harlem Brundtland, has lived up to her reputation for decisiveness with an instant devaluation of the Norwegian krona two days after assuming office. Drastic measures had become necessary because the collapse of the world price for gas and oil had removed the main support for current Norwegian prosperity.

The halving of the oil price upset all calculations about the Norwegian external current account. From a surplus last year of Nkr 26bn (about £2.1bn at the new rate of exchange) it was expected to plunge into deficit of Nkr 30bn this year.

By devaluing, and doing so sharply, Mrs Brundtland has demonstrated that she did mean business when she made a sober statement upon becoming Prime Minister of Labour Party minority Government last Friday. The Party's programme for economic expansion, she then said, would have to be abandoned.

Devaluing by 12 per cent is, however, only the first step towards making Norway live within its straightened means, not least because of the inflationary effect of the adjustment. Success or failure will depend upon the additional austerity measures which Mrs Brundtland said would be equivalent to a little more than 10 per cent of GDP. These supporting measures will have to be all the more stringent because Norwegian non-oil industry has been working close to capacity and will thus have difficulties setting upon devaluation to increase its exports.

In the meantime she does have some room for manoeuvre since her conservative predecessor, Mr Kåre Willoch, used the oil and gas bonanza to reduce Norway's external debt to zero or almost zero. This leaves the Norwegian authorities comfortably placed to bridge the gap until austerity measures take hold by falling back upon international capital markets.

Doing so can, however, be no more than a palliative and an interim measure. The budget measures must be fashioned to support the cutting down of consumer demand implicit in devaluation. Doing so will probably require increasing the tax take.

The Willoch Government was brought down when it tried to

do precisely that by increasing the petrol excise duty. Mr Willoch had headed a coalition of his own Conservative Party and two smaller groups, the Norwegian Labour and the Christian Democrats. Like Mrs Brundtland he was in a minority position in the parliament and dependent upon the tacit support of two members of the anti-tax Progress Party.

Mr Willoch's coalition fell when the Progress Party turned against his proposal to increase the petrol excise. Mrs Brundtland could suffer the same fate if she does not secure non-Labour support for her measures, probably from the Christian Democrats or the Centre.

**Support needed**

These two parties represent special interests and were not comfortable with Mr Willoch's intention to reduce government transfers and public expenditure. Their support for genuine austerity measures in the future must therefore be considered problematical.

Initially, however, the inclination in the camp of the former Willoch coalition appears to give the new government a chance. There is a good constitutional reason for doing so: the parliament cannot be dissolved, but must serve its full term until 1989. Clearly the business of the nation would come to a total halt if Labour and the Willoch camp were to embark upon a game of musical chairs in and out of office.

None the less, the political situation is inherently unstable, adding to the already great difficulties that Norway faces since the oil price collapse. The extent of those difficulties was made clear in the last report on the Norwegian economy from the Organisation for Economic Co-operation and Development.

The report said that the inflation rate had been higher than the OECD average; that Norwegian manufacturers were losing market share at home and abroad; and that though personal taxes had been lowered by the Willoch Government, public expenditure (supported by oil revenues) had been rising as a share of GDP.

Devaluation has been a bold step to tackle these difficulties. But further fiscal and monetary wisdom is needed to put things to rights.

**A**S ONE of the most remarkable takeover wars of recent years reaches its climax, the fate of a large slice of Australian industry hangs in the balance.

The bewildered victim, Broken Hill Proprietary (or BHP as it is universally called), is the largest and one of the oldest companies in the continent. With immense financial strength and comprising an international business in oil, coal, steel and minerals, even its detractors say it is well managed as well as profitable. Its development since the pioneering days of the great silver boom a century ago has made it part of Australian history and a symbol of its commercial independence. Valued at about 10 per cent of the combined market capitalisation of Australia's public companies, it accounts for more than 8 per cent of Australia's exports.

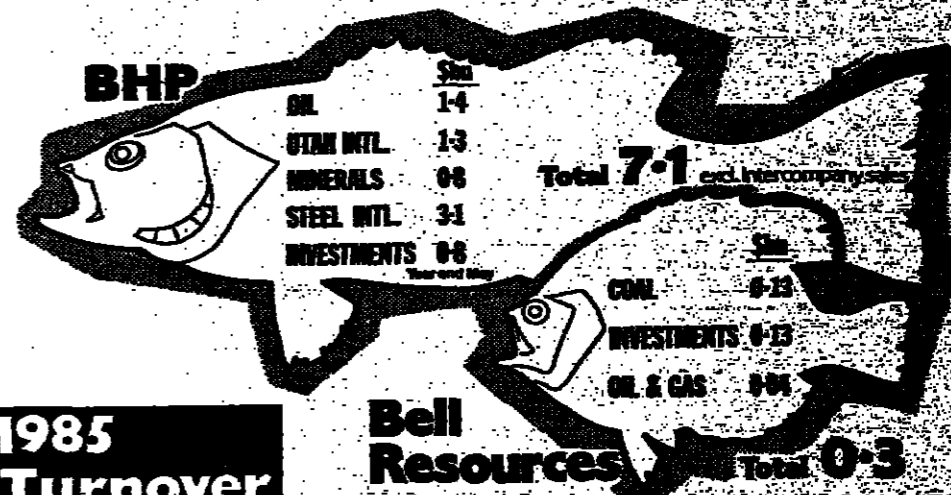
BHP is being threatened by a company which by comparison is an upstart dwarf. Mr Robert Holmes à Court's Bell Resources, a Bell Resources Group, is the vehicle for the bid. This small but fierce predator has little direct experience of running the big resource operations which make BHP famous. It got rich in the last half-dozen years from property, newspapers, films, and theatre successes like "No Sex Please We're British" and "Daisy Pulls It Off" in London's West End.

Yet armed with a A\$2bn line of credit from the Standard Chartered Bank and A\$625m raised mainly from the institutions through a rights issue, Holmes à Court has been able to launch an entirely credible bid for half of each shareholder's stake in BHP. This, in addition to the 18.9 per cent which he already owns, could easily allow him to put a halter round BHP's neck.



The bid from Mr. Holmes à Court  
**How BHP is trying to swim away**

By Max Wilkinson



**1985 Turnover**

**Bell Resources**

the US and Brazil and was the springboard for the purchase of two US oil companies, Energy Reserves Group in 1984 and Monsanto Oil in November 1985, at a total cost of A\$1.8bn.

Production of some 26,000 b/d of oil and gas equivalent from Monsanto and ERC is small by comparison with the total Bass Strait production of just under 500,000 b/d. Nevertheless, on the traditional long term view, these acquisitions give BHP an important presence in the US.

If it were only free of takeover worries, the company would almost certainly be using this base to look for more US oil purchases on the principle of buying "straw hats in winter."

Overall, according to local analysts, BHP now has a substantial oil and gas reserve which cost less per barrel than those of any of the five oil majors except Exxon. Moreover, the diversity of its operations and high marginal tax rates are helping to cushion its earnings against the fall in oil prices. In the five years to 1985, BHP's earnings per share grew by 23 per cent in US dollar terms. This was twice as good as Exxon's performance and compares with an average decline of 35 per cent for the other five oil majors, which were saddled with loss-making refineries.

This year the fall in oil prices will have much less of an impact on BHP than on other less diversified oil companies, and its earnings are projected to continue to grow in 1986. Even Lee Gi Su, a South Korean, sold 500 square metres of land in Tokyo's central district of Minato for Y3.86bn. He had bought most of the land in 1980 for Y1.5m. His total taxes last year were Y1.27bn.

Land prices in commercial areas of Japan have been soaring in recent years as the country has become more affluent and land more scarce. Of the top 100 taxpayers, 51 earned their places through land sales.

Utah's colliery managers in Queensland still report to their masters in San Francisco. "The great advantage," said one executive, "is that it is 48 hours before Melbourne finds out what we are doing." Since Utah continues to improve its profits Melbourne is learning not to mind.

In any case the old centralised style in which small investment decisions could pass through six layers of management has been made unworkable by Mr Holmes à Court. Executives say that Mr Brian Loton, the managing director, has been almost full time at the barricades and could not possibly have run the company with the old style attention to minutiae.

After so many changes and such a sustained burst of speed, BHP executives can scarcely believe their bad luck to find that their pursuers are still close astern—stronger than before after doubling profits in 1985.

Any hopes that the Labor Government would escort them safely to harbour were soon dashed, perhaps because the wounds of ancient trade union battles with the company have still not entirely healed.

Without powerful friends in the Government and uncertain support in the market, BHP seems to have been driven in some disarray towards the doubtful protection of Mr John Elliott's Elders JLL, the brewing and trading group.

The details of what then happened are a matter of dispute and the subject of an official inquiry. But the basic facts are clear. On the morning of April 10, Mr Elliott mounted the most spectacular raid the Australian stock market has ever seen spending A\$1.7bn before lunch, to prise 20 per cent of BHP's stock out of selected institutions. BHP responded rapidly, injecting A\$1.2bn into Elders by purchase of convertible preference shares which give it the right to 20 per cent of Elders' equity.

Many people saw this cross-shareholding as a not very edifying spectacle of two powerful members of the Melbourne business establishment erecting palliades for each other against the lone wolf from

Perth. Mr Robert Holmes à Court.

However, although Mr Elliott has prospered with the aid of some of the most respectable names in the Melbourne community, he is one of nature's boardroom buccanniers, skilled in the art of the reverse takeover; so it is entirely possible that he will slip out of his white knight's suit early one morning and tip BHP the Black Spot. Or Holmes à Court may now turn his guns on Elders as a way of getting hold of its cargo of 20 per cent of BHP.

Whatever the outcome, BHP's reputation for starchy virtues has been badly sullied as a result of these manoeuvres, bitter public argument and the failure of its efforts to use the law courts to stop Holmes à Court proceeding with his offer.

With a cigar at his lips and a flame of silk issuing from his breast pocket the Bell chairman smiles mysteriously at the thought that BHP executives loathe, distrust and fear his purposes.

"Yes, that's absolutely right," he muses. "But there is no law which says one may not bid for another company. For his part he admires the way the BHP men run their businesses. In terms of operating coal and iron ore mines, that sort of thing, he is not sure that he could do better."

"We have no plans to remove any director from BHP, least of all Mr Loton he says; then adds after a little reflection: "Mr Loton's record has been outstanding. His years have been the best in the company's history."

What then is the purpose of this relentless pursuit? Again the faintly ambiguous smile in a cloud of blue smoke. He is critical of BHP's recent tendency to "collect assets like a mania." He thinks it may be the classic defence of an under-gear company. The oil purchase was made at the wrong time; he is sceptical about the mine in Chile... with lower oil prices and more debt, he thinks the company needs to "pull its horns in." Yet for all that Mr Holmes à Court says, he does not see the opportunity for a major investment. What he really wants is for

BHP to sit down with him and explore his assumptions. And of course, he wants a seat on the board.

At the top of BHP's stock structure, where the Bell chairman owns only 1.5 per cent, the way in which the takeover battle with its hearings, court cases and incessant media attention is sapping corporate energies is a clear sign that the company will be paralysed for some time.

The expansion strategy, he explains, was a direct result of the fact that BHP had become so big (largely because of oil) that it had to become more international if it was to survive. This reflected both the global nature of the minerals market and the company's need to induce foreign investors to invest in its shares.

Without directly accusing that BHP had neglected its shareholders in the past, he says that the company was trying to achieve a "blend of the long term and short term" perspective. He achieved this, he says, by increasing dividends and investment in the last two years, largely because cash was pouring out of the Bass Strait. Now, with Bass Strait oil output starting to decline and oil prices at half last year's levels, Mr Loton's hand is considerably weaker.

At the same time, lower oil prices are already beginning to weaken coal prices, while a slowing-down of the Australian economy may affect domestic steel sales. The international competition in steel will become so that BHP, which sells half its exports to China, faces a tough struggle to diversify its markets.

After the fat years which had gushed into the bottom line, the name of the game is now to become ever leaner and fitter in the traditional toil of adding value to BHP's high quality coal and iron ore reserves.

Is this really the game which Mr Holmes à Court wants to play? It must be doubted.

As for Mr Loton, he just wants to be left to do the job which Mr Holmes à Court—and others—say he does so well.

"Steel, coal, oil," he says with a characteristic thrust of his chin. "These are glamorous businesses. Steel is an exciting product."

**Sri Lanka's other battle**

Ronnie de Mel's admirers claim that the sprightly 60-year-old finance minister is now the only man who stands between Sri Lanka and insolvency.

During the island's increasingly bitter ethnic conflict, ex-businessman de Mel has been fighting a losing battle to prevent the defence budget eating into Sri Lanka's meagre resources which are badly needed for development.

In the past few years, Cabinet hawks have voted to triple defence spending. De Mel suffered yet another setback last week, when defence spending was again raised from \$200m to \$250m for the current year in response to the Colombo killings.

These increases—and the evidently worsening conflict—will tax him further when he goes to Paris in July to argue with Sri Lanka's donor countries that the island not only needs more money but can use it effectively.

De Mel, the Commonwealth's longest-serving finance minister, was in London earlier this month, on his way to chair the annual meeting of the Asian Development Bank in Manila, when he managed to persuade the British Government to finalise a \$200m deal in which Britain, Japan and West Germany will contribute aid for the building of two more dams in Sri Lanka.

The ever-cheerful de Mel, who walks five miles before breakfast every morning to keep himself fit, says he is confident that being a finance minister was "a high-risk profession" but one which he still found stimulating. "I'm also," he added with justification but uncharacteristic immodesty, "getting rather good at it."

**Men and Matters**

According to the National Tax Administration Agency, Price was the second highest taxpayer in Japan last year, a position he earned by selling his two homes there. The taxes on the sale amounted to Y1.13bn (£44m).

The highest taxpayer in Japan last year was also a foreigner. Lee Gi Su, a South Korean, sold 500 square metres of land in Tokyo's central district of Minato for Y3.86bn. He had bought most of the land in 1980 for Y1.5m. His total taxes last year were Y1.27bn.

Land prices in commercial areas of Japan have been soaring in recent years as the country has become more affluent and land more scarce. Of the top 100 taxpayers, 51 earned their places through land sales.

**Dog house**

US Secretary of State, George Shultz, managed to offend almost everybody on his brief visit to Seoul, South Korea, last week.

It was to be expected that the political Opposition would be unhappy with Shultz's fervent support for the Government's programme. But even Government supporters are talking with disgust of what has become known as the "dog incident."

Dogs are not exactly man's best friends in Korea—or vice versa. It is not rare to find them on dinner tables, preferably boiled into a soup that improves stamina and male virility. But that is about the only way dogs ever find their way into the house. Disgusting creatures, they are, to Korean eyes,

**Man at arms**

Jacques Chevallier, the soft-spoken French nuclear weapons expert who has been chosen to preside over his country's armaments programme, will be bringing a much needed wry sense of humour to his new job.

Chevallier, 64, with his liking for tweed jackets, looks like a harmless boffin until he sounds off about megatonnage, intelligence overheads, and high-purity plutonium. For the past 14 years, he has been head of the military division of Commissariat à l'Energie Atomique (CEA).

Now he takes over from Emile Blanc—veteran of countless meetings with British and West German arms directors in the past few years over the ill-starred European fighter aircraft—as director of the Délégation Générale pour l'Armement (DGA), the Defence Minister, André Giraud's shake-up of his department.

Giraud, who during his time as head of the CEA between 1970-78 built up a good work-

ing relationship with Chevallier, wants the country's arms programmes run more on industrial than civil service lines.

Chevallier should be the right man for the job. Trained as a naval engineer, he earned himself a place in Gaulist history by building in 1964 France's prototype compact pressurised water reactor, subsequently used to power its nuclear fleet.

France built the first reactor with enriched uranium supplied by President Eisenhower—one of the many behind-the-scenes ways in which the US, despite its overall hostility, contributed to France's independent nuclear power.

With the US pushing to set into France's weapon programmes, and Giraud determined to get value for money from the country's armaments suppliers, Chevallier will rediscovers the question of American co-operation in the top drawer of his desk at the DGA.

He may, however, have to curb his penchant for mischievous public statements. Chevallier told an audience of military men and nuclear specialists last autumn that the CEA could find, relatively easily, ways of inventing warheads to pierce any Star Wars-type defences—a remark which probably did not earn him many friends in the Pentagon.

**Initial reaction**

Invited to speak after dinner at Yale, the visiting British academic sought to sing duriously for his support. He took as his theme what he felt the letters of Yale might stand for—Yearning for insight; Anxiety for knowledge; Learning: Experience.

Seventy minutes into the monologue, a glazed-eyed undergraduate nudged his companion. "Thank heavens," he whispered, "I didn't take that place at the Massachusetts Institute of Technology."

Observer

Doucement...

**CHANEL**  
 FOR GENTLEMEN

CHANEL

Handwritten signature or mark at the bottom of the page.

Handwritten note in a box: "سكوت من الالمان"

THE CHERNOBYL disaster... Western governments at last week's Tokyo summit...



Boris Shcherbina, chief Soviet investigator; Sellafeld; and recent Friends of the Earth propaganda

SELLAFIELD 'OUR RECORD WOULD STAND UP TO SCRUTINY' BNFL, 20th FEBRUARY 1986 HERE IS THE BNFL RECORD

Anti-Soviet sentiment in the West has undoubtedly been stirred up by the Chernobyl disaster...

FOREIGN AFFAIRS: CHERNOBYL The stick with a point at both ends

By Ian Davidson

These may all look like excellent sticks for poking the Russians in the eye...

There have been many incidents, accidents and malfunctions at British nuclear plants...

Chernobyl, and any satisfactory post-mortem examination was long delayed...

Governments have attempted to build fire breaks between the civil and the military...

Part of the trauma of Chernobyl is that it has reminded the world both of the serious dangers of nuclear power...

Joining the EMS

From Professor G. Maynard. Sir, Mr Gould's opposition to the UK joining the European monetary system...

Letters to the Editor

stations did not preclude informing successful applicants according to schedule...

Charities and the Finance Bill

From Mr P. Warren. Sir, Many will go to do people have set up private charitable trusts and transferred capital...

The company car

From the Director, Society of Motor Manufacturers and Traders. Sir, Mr Robin Small (May 6) suggests a lack of homework...

Community radio

From Mr T. Brook. Sir, Last September I applied for a community radio licence in accordance with the Home Office guidance note...

Profit sharing at work

From Mr M. Elliot. Sir, The receipt of wages is profit sharing. Whence else does pay come?

Advertisement for Telford Development Corporation featuring various business cards for companies like Nikon, BBC, Maxell, and Telford.

Lombard Some doubts on James Baker

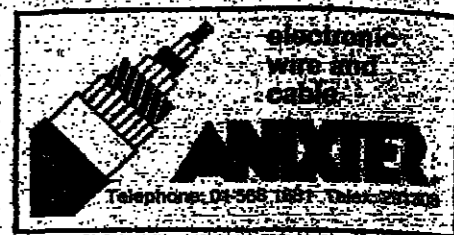
By Samuel Brittan

THE PRESENT Secretary of the Treasury, James Baker, has the characteristics required for media success...



# FINANCIAL TIMES

Monday May 12 1986



## Terry Byland on Wall Street Utilities survive Chernobyl

THE IMPLICATIONS of the Chernobyl nuclear plant accident quickly struck home among Wall Street's electrical utilities, which operate about 100 nuclear-powered commercial plants in the US and have many more under construction.

Nearly three weeks after the news from Kiev first reached the US, however, the reaction in stock prices looks remarkably restrained.

The sector has fallen about 2.1 per cent, with the nuclear-involved utilities down a couple of dollars or so.

But utility stocks have also been influenced over the past fortnight by interest rate uncertainties. However, there has been no significant sell-off in utilities and prices have generally rallied from their lows.

The Chernobyl accident posed two serious implications for the US utilities. The first was that the Chernobyl mistakes might have universal application and require a wholesale reversal of commercial nuclear policy in the US.

Chernobyl should not have much long-term impact, says Mr Jeffrey Hoffman of Smith Barney.

The second possibility was that Chernobyl might provoke such a political and public outcry in the US that utilities would be unable to operate, finance or construct nuclear plants.

Such is the Wall Street view and already buyers have appeared for some nuclear utilities.

Selling, in fact, was somewhat haphazard and lumped together utilities with nuclear plants under operation alongside those still facing licensing or construction delays.

Significantly, the credit markets have shown no signs of worry about the outlook for nuclear-powered utilities.

Atlantic City Electric sold \$125m of 30-year first mortgage bonds on a 9.02 per cent yield - against 7.37 per cent on the new 30-year Treasury issue - and received a Double A3 rating from Moody's investors services.

Consolidated Edison's sole nuclear plant, at Indian Point, has been performing for 12 years and nothing short of a complete political about turn on nuclear energy could shake the group's balance sheet.

The same case is harder to make for Houston Industries, also very active last week because of its 9 per cent yield.

The steep fall in oil prices has severely battered the Norwegian economy, which depends on the oil and gas sector for more than 18 per cent of GNP and for more than a third of all Norwegian exports.

The cut in the value of the krone will further fuel inflation, which is already high compared with Norway's main trading partners at a year-on-year level of 5.8 per cent in April.

Mr Rifkind also gave a warning that it would be facile for the Conservative Party to assume that the ground lost last Thursday would automatically be regained.

There is now likely to be a period of considerable nervousness among Tory MPs, particularly among the 120 who could lose their seats on the basis of last Thursday's results.

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## Alice Rawsthorn charts Saatchi & Saatchi's rise to global supremacy The takeover trail to top billing

EVER SINCE Charles and Maurice Saatchi were airily dismissed as two uppity Jewish boys with ideas above their station, they had dreamt of Saatchi & Saatchi becoming the largest advertising agency in the world. One night in New York last November, the brothers thought they had cracked it.

After weeks of protracted negotiation, Mr Andrew Woods, the chairman of Saatchi's US holding company, had reached broad agreement on the terms of a merger with Ted Bates, the world's third largest advertising agency.

Everything was poised to go ahead. But at the last moment Mr Robert Jacoby, Ted Bates's chairman, withdrew.

In November Saatchi was prepared to pay an estimated \$350m for Ted Bates. Late on Friday night in New York after 10 days and nights of frenetic negotiation, it agreed to pay \$450m.

Acquisition has played a crucial role in Saatchi's development and its acquisitions team has turned

bargain buying into a virtuosity. But Saatchi needed to buy Ted Bates very badly indeed. It is difficult to conceive of another viable deal that could have catapulted Saatchi into market leadership.

And Ted Bates had no shortage of suitors. Late last week, even as Saatchi was closing the deal, Wall Street was ripples with rumours that the US agency, Interpublic, was poised to launch a counter-bid.

Or Ted Bates could have joined any of the stream of mergers and amalgamations that have strewn the international advertising industry in the last few weeks.

First Saatchi swooped on the New York agency, Backer & Spielvogel. Then three US-owned agencies - BBDO International, Doyle Dane Bernbach and Needham Harper Worldwide - combined to form a \$5bn agency which reigned for two brief weeks as the largest in the world.

Next was the Chicago-based Foote Cone Belding merged with the New York agency, Leber Katz.

In London, Lowe Howard-Spink Bell acquired the privately-owned

Allen Brady Marsh, while Wight Collins Rutherford Scott joined forces with FCO.

The advertising industry thrives on gossip at the most serene of times, but over recent weeks the rumour mongers have lurched into overkill with talk of Ogilvy & Mather teaming up with Interpublic and J. Walter Thompson with Young & Rubicam.

The rationale behind these alliances and mesalliances is startlingly similar to that behind the mergers and amalgamations that have swept through the ranks of the international agencies' advertisers: the need to achieve economies of scale through international networking.

The global approach has been a feature of the advertising industry for years. But in the late 1970s Saatchi & Saatchi with its breathless prose about "the time when England will be but a region of the world" turned it into dogma.

The consumer markets of the 1980s, or so the global proponents argue, transcend national boundaries. The Goldman Sachs analyst

was joggling around Central Park in New York is much more compatible with his or her counterpart at James Capel, puffing around Hyde Park in London, than with a motor mechanic in the Bronx.

Thus the multinational advertiser of the 1980s needs to present coherent themes and images in its advertising in some or all of the international markets in which it operates.

The global approach has its detractors. "Global advertising produces the international bland rather than the international brand," one sceptic has put it. And for all the breathless prose, Saatchi has shown itself to be all-too-willing to jettison internationalist rhetoric when new business needs dictate.

There are still very few truly global advertisers: Coca-Cola is one, British Airways - a Saatchi client - another. Yet the multinational agencies have increased their share of world advertising expenditure from 14 per cent 10 years ago to 20 per cent today.

## Congress unlikely to approve sweetened bid for rail group

BY WILLIAM HALL IN NEW YORK

NORFOLK SOUTHERN, the US railroad group, has agreed to pay a higher price for the US Government's 85 per cent stake in Conrail, the main freight railroad serving the US northeast, but the offer appears unlikely to overcome Congressional opposition.

Norfolk Southern said on Friday that it had agreed to the request from Mrs Elizabeth Dole, the Transportation Secretary, to revise and enhance its offer of May 8 1985, "in light of improved economic conditions."

Under the revised terms proposed by the Department of Transport, Norfolk Southern has agreed to pay a total of \$2,275bn, of which \$1.9bn will go to the US Government.

The increased offer is the latest step in the Government's long-running efforts to return Conrail to the private sector. The company was formed in 1978 from the remnants of the Penn Central and six other failing railroads. The Government pumped billions of dollars into the company, which has been streamlined and is now reasonably profitable.

The latest revisions to the Government's asking price for Conrail are intended to speed up progress on the Norfolk Southern offer, which has been endorsed by President Reagan and approved by the Senate. However, Mrs Dole is facing fierce opposition from Representative John Dingell, chairman of the House energy and commerce committee.

Mr Dingell is reported to have described the latest offer as "a joke" and the product of "creative arithmetic." He says that as far as he is concerned "the notion of selling Conrail to Norfolk Southern is dead."

Although Norfolk Southern, the Government's preferred candidate to take over Conrail, has now increased its price for the Government's 85 per cent stake from \$1.2bn to \$1.9bn, Mr Dingell insists that price is not the issue.

"The competitive problems associated with a Norfolk Southern purchase are so immense and irremedial that I simply cannot support this merger," he said last week.

The Government favours Norfolk Southern's offer over two rival offers from Morgan Stanley, a leading New York investment bank, and Conrail Acquisition Corporation, a joint venture between First Boston and Allen and Co, two New York investment banks. The Government argues that Norfolk Southern is best placed to ensure the long-term viability of the railroad.

However, the Norfolk Southern offer has been challenged by competitors such as CSX Corporation, another railroad, which is concerned about the monopoly implications, and Conrail's management, which wants the railroad to stay independent. Conrail has hired Morgan Stanley to try and arrange a public offering of the shares in the company.

Given the steady opposition in Congress to the Government's plans to sell Conrail to Norfolk Southern, a growing number of people believe that the improved economic climate makes a public flotation of the company increasingly likely. Mr Dingell has said that "the only device which can be accepted which meets all the concerns we have set forth is a public offering."

## BNP lifts equity issue over FFr 5bn

BY DAVID MARSH IN PARIS

BANQUE NATIONALE de Paris, the biggest French nationalised bank, has increased to FFr 5.3bn (\$763.7m) from FFr 3.9bn its landmark issue of non-voting shares, an important step towards eventual privatisation planned by the new French Government.

The increase in size of the issue of certificates d'investissement (CIs), by far the biggest equity raising operation ever mounted in France, was decided in view of heavy over-subscription of the offer announced a fortnight ago.

BNP's CIs are the first to be issued by a French state-owned bank or industrial group which do not give subscribers preferential dividend rights. None the less, the launch has met exceptionally strong demand because investors believe the CIs will be rapidly converted into voting shares at a favourable price as part of the Government's denationalisation programme.

The administration of Mr Jacques Chirac now looks likely to try to raise as much as FFr 40bn a year from 1987 through sales of the state's financial and industrial shareholdings.

Saint Gobain, the state-owned glass and pipe maker, last week became the second nationalised enterprise to launch non-preferential CIs when it confirmed its intention to offer a FFr 2bn issue.

The increase in the BNP issue will give private shareholders a stake of about 21 per cent in the bank's capital through the newly created non-voting shares.

Following the new issue, BNP has a theoretical house capitalisation of close to FFr 43bn based on the offer price of FFr 485 per nominal FFr 50 CI.

The bank's permanent capital resources, totalling FFr 10.45bn at the end of 1985 (including issues of non-voting loan stock and of non-deductible subordinated notes) will rise to almost FFr 24bn as a result of the new issue.

## Reagan backs tax reform plan

BY STEWART FLEMING IN WASHINGTON

PRESIDENT Ronald Reagan swung back into action in support of fundamental reform of the US tax code over the weekend, describing a sweeping tax bill which was approved by the Senate finance committee last week as "one of the most exciting economic changes of my lifetime."

Last week's dramatic reversal by the committee, which voted 20-0 to approve the bill, seemed to have rescued from legislative oblivion an issue which Mr Reagan has described as the top legislative priority of his second term. Two weeks ago Senate majority leader Mr Robert Dole conceded that the tax legislation was "hanging by a thread."

Now, however, there are clear signs that not only Mr Dole but also the White House believes that the radical reform package which cleared the finance committee could be approved by Congress this year.

On Saturday Mr Reagan devoted his weekly radio broadcast to tax reform, warmly endorsing the Senate finance committee plan. He maintained that the bill, while not perfect, met the basic conditions he laid down for a bill which he could support.

Mr James Baker, the US Treasury Secretary, interviewed on US television yesterday morning, said that the President was going "to lead the charge" to get a bill passed.

The tax bill would lower individuals' tax by around \$100bn over five years, cutting the top marginal tax rate from 50 per cent to 27 per cent and reducing the current 14

tax bands to just two, 27 per cent and 15 per cent, with four fifths of tax payers paying the lower rate.

Many tax shelters and loopholes would be eliminated or their value drastically reduced. The bill is projected to be revenue neutral and most of the \$100bn of tax breaks individuals get would be offset by increases in corporate taxes.

Most political analysts agree that the bill will face its toughest test when it comes to the floor of the Senate in a few weeks' time. Deputy secretary of the Treasury Mr Richard Darman said yesterday that in the past he has argued that a reasonable person would judge that the odds were against tax reform passing. Now, he said, the odds seem to be in favour.

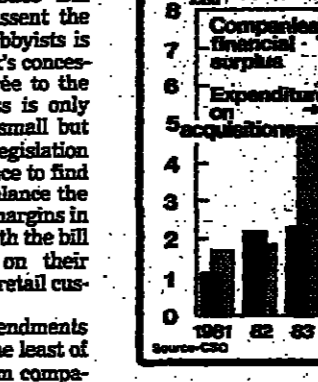
## THE LEX COLUMN Societies build on their loans

As the Building Societies Bill trundles towards royal assent the societies' astuteness as lobbyists is becoming clear. Last week's concession giving them an entrée to the personal pension business is only the latest of a series of small but important changes. The legislation is the societies' main chance to find new markets to counterbalance the loss of market share and margins in the mortgage business. With the bill the societies can play on their greatest asset - their 28m retail customers.

There are still some amendments the societies would like, the least of which would let them form companies in Gibraltar. But the bigger societies now believe that their new powers will be sufficient for them to compete in unsecured lending, credit cards, money transmission, insurance broking, estate agencies and the rest. In the plum business of retailing financial services building societies have the edge, as the queue of banks wanting to take them over testifies. There are few better opportunities to sell financial products than when someone is buying a house, a transaction which still usually involves a building society. They have an honest image and the branch network to beat the opposition.

In unsecured lending building societies could take the cream of the business. They have in their mortgage business a long list of borrowers whose credit ratings have already been assessed, making monthly payments with a low rate of default. What could be simpler than to offer them a £5,000 unsecured loan and add the repayments to the regular mortgage standing order? The cost of credit assessment and documentation would be minimal compared with a bank's, and there should be fewer bad debts. So the building societies could offer cheaper rates and still make decent margins.

While mortgage lending must remain the bulk of a society's business, the proposed restrictions on the level of their other activities have been loosened. At least 90 per cent of a society's commercial assets must still be devoted to first mortgages on borrowers' own homes. This limit can be raised by order in council, however, to a maximum originally set at 20 per cent but now to be 25 per cent. For the societies with assets running into billions of pounds the initial 10 per



cent limit should give scope to build up a large enough consumer credit business to be competitive, and the higher limit will allow them to expand. The restriction would bite if the societies' mortgages' lending shrank considerably as the competition cut into their market. But societies will be able to find ways round that if the fledgling secondary market in debt grows. Either they could buy more mortgages or sell their unsecured loans. The other operations will need only a small investment to set up and will not come into the asset equation. Indeed many societies may act simply as business-getting agencies for other institutions such as investment managers and insurance companies.

The final solution for a society that wanted to extend beyond the powers in the bill is conversion into a public company. But the difficulty of doing so is the one real disadvantage societies still have with the bill. The proposals assume an active interest in the affairs of a society on the part of its members never previously seen. Approval for conversion from at least 20 per cent of them may prove far too demanding, especially as the new law will prevent the cruder appeals to members through cash offers or instant share bonuses. If members need to have their rights protected for them, it is only because they are too apathetic to guard them themselves. In some cases it could prove a disservice to protect them from the chance to turn an outmoded mutual society into a thriving public company.

Corporate finances Company finances seem to be in a healthy state. Profits are growing, balance sheets are robustly augmented and, apart from the oil companies, the corporate sector should show another good financial surplus in 1986. Profits are expected to rise by 17 per cent or more. Input prices are falling and stockbuilding is low. Few oil companies are back to earning profits in 1986, but before the onset of a stock and share market boom, the balance sheets are higher than ever.

Corporate net debt may still look low, though this hides a high level of both debt and cash - often in different balance sheets. Companies will probably continue to issue paper, either through rights or takeovers as long as the stock market is buoyant, making balance sheets look even better. Why borrow from the banks, or even one another, when you can string your shareholders?

But under the surface all is not so rosy. One important reason why the aggregate financial surplus has risen is that investment has been lagging behind profit growth. Although there was a spending spree before the end of the last financial year to use the last capital allowances, investment did not increase by less than profits this year. Rising investment is a good lead indicator of a pick-up in demand in the economy, so a slow growth in spending on new assets suggests that companies are not confident of expanding. And the improvement in corporate profits, rates of return and finances could be caused simply by the shedding of labour and the fall in raw material prices rather than a real improvement in the real fitness of industry.

Companies are tacitly admitting as much by preferring to buy existing, undervalued assets through takeovers and mergers, and make them work harder. After expenditure on acquisitions of £5.5bn in 1984 and £7.1bn in 1985, the first quarter of 1986 saw deals worth £2.1bn completed. As those takeovers are financed increasingly by paper, they do less and less damage to the bidders' balance sheets. In 1984 over half of acquisition spending was financed by cash. In 1985 that fell to 40 per cent and in the latest quarter to less than 20 per cent, mainly because of two large all-paper mergers, Vantona's with Costa Patons and Habitu's with British Home Stores. The bids for Imperial Group and Distillers have yet to come into the official statistics.

## Norway devalues krone by 12%

Continued from Page 1

Around NKr 11bn has flowed out of the country in the last 10 days alone, and growing intervention by the central bank was unable to ease the mounting crisis of confidence in the Norwegian currency.

The steep fall in oil prices has severely battered the Norwegian economy, which depends on the oil and gas sector for more than 18 per cent of GNP and for more than a third of all Norwegian exports.

The cut in the value of the krone will further fuel inflation, which is already high compared with Norway's main trading partners at a year-on-year level of 5.8 per cent in April. Workers in the private sector have already pushed through wage settlements this year of more than

8 per cent after some of the biggest labour unrest that Norway has seen in decades.

The Labour Party, led by Mrs Gro Harlem Brundtland, only assumed office on Friday as the latest step in an intensifying political crisis in Oslo which led to the resignation of the Conservative-led three party coalition of Mr Kåre Willoch.

## Syria expels three British diplomats

Continued from Page 1

The police move to question Zaki Oud, Ahmad Abdul-Latif and Mounir Mouna is thought to have been prompted by information provided by Mr Mezhar Hindawi, the Jordanian charged with conspiracy to murder and trying to destroy the EC A1 Boeing 747. He is alleged to have concealed a bomb in the bag of his pregnant Irish friend which was detected before she boarded the aircraft.

Dr Haydar asserted yesterday in a radio interview that the Syrian embassy had "no knowledge or involvement in terrorist activity on British soil."

If there were any serious breach of diplomatic immunity, I am sure that the English reaction would have been much stronger than it is now," he added.

In an interview with the West German weekly Der Spiegel Mr Farouk al-Sharaa, Syria's Foreign Minister, dismissed as a "lie" claims that his country was involved in the bombing on March 29 on the office of the German-Arab Friendship Society in West Berlin. Two suspects, a Palestinian and a Jordanian, are being held in connection with the incident.

## World Weather

Table with columns for location, temperature, and other weather-related data.

## Ministers defy Thatcher

Continued from Page 1 Mrs Thatcher would be Prime Minister throughout the entire period of the next parliament.

## World Weather

Table with columns for location, temperature, and other weather-related data.

Advertisement for Clwyd fact pack. Text: 'TAKE A SHORT CUT TO THE BEST FINANCIAL PACKAGE IT'S WHAT WE'RE CUT OUT FOR'. Includes contact information for Clwyd County Council.



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SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Monday May 12 1986

**Lovell**  
**BICENTENARY**  
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INTERNATIONAL BONDS

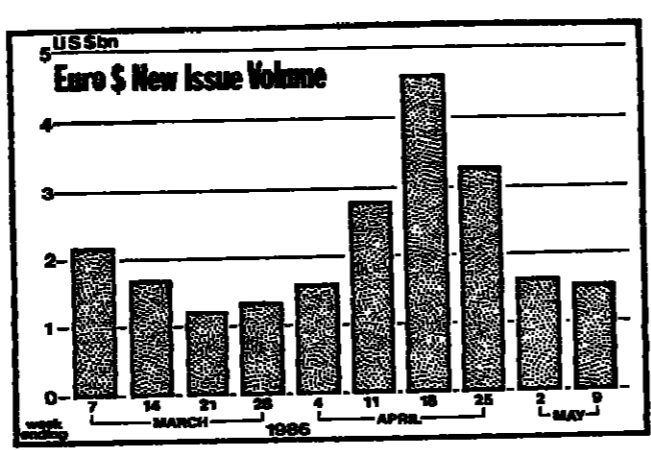
Volume of unplaced paper leaves market vulnerable

THE DOLLAR Eurobond market, still vulnerable to a downturn in sentiment because of the volume of unplaced paper, seemed paralysed last week as the record US Treasury auction progressed in New York, writes Clare Pearson in London.

Traders sat tight on positions, looking to see how many of the new Treasury bonds would be absorbed by the Japanese.

...Hopes that normal trading would resume after this hurdle was passed were jeopardised on Friday afternoon after prices of Treasury bonds were marked down in the wake of the auction of the new 30-year bond. By the end of the day, however, when New York trading looked to better shape, the much-feared sell-off in the Eurobond market had been averted.

The dollar hit a record low of Y361.65 on Friday, however, and its weakness is still weighing on the dollar sector of the Eurobond market even though the US Treasury auctions are out of the way. Nevertheless, sentiment was not so bad as to prevent a new \$150m bond, albeit senior debt for National Westminster Bank, from faring well in



Friday's choppy waters.

Apart from offerings for very high-quality credits, these hard times seem to dictate a policy of tailoring issues to specific areas of demand.

Equity-linked deals, for instance, continued to find favour with investors last week. As usual, a crop of such bonds for Japanese borrowers shot to premiums, and a convertible issue for American Bankers Insurance Group was sufficiently well received to be increased to \$70m from an original issue size of \$50m.

Floating-rate note issues can find demand from commercial banks seeking high-quality assets. The week's two issues for Anas, Italy's highway authority, and Development Finance Corporation of New Zealand, were well received as they were for sovereign-related names and provided relatively generous margins.

Dealers were puzzled about what market Nomura International had found when it launched a \$100m deferred coupon floating-rate note for Banque Nationale de Paris. The bond pays no interest for the first two years and then 4.5 per cent over

Two of the three new deals in Ecu last week had coupons set at 7 per cent. Citicorp's new Ecu 50m 7 per cent bond seemed to be holding up well in an environment where seasoned, lower-couponed bonds have plummeted in price. It looks as if the Ecu market has entered a difficult phase where an issue must pay a relatively high coupon if it is to succeed. This jeopardises the swaps upon which the deals hinge. Moreover, borrowers are reluctant to lock into the rates investors seem to be demanding while they still expect further falls in interest rates in Ecu component currencies.

The D-Mark sector seems to be suffering from a similar problem, and last week's finds little incentive to buy with prospects of German interest-rate cuts this month fading while borrowers are still keen to issue on tight terms. The market was slightly shaken by the appearance of five new bonds early in the week in the light of the record number of deals timebated for this month. Of these, one was an equity-related bond for a Japanese borrower and another a private

Takeover plan gets under way in Korea

By Steven Butler in Seoul

THE SOUTH Korean Government's long-awaited programme to merge large, insolvent businesses with healthy partners got under way with the announcement last week of two major corporate acquisitions.

Kia Motors, one of South Korea's principal vehicle producers with 1986 sales worth 500.6bn won (\$565m), will acquire Korea Heavy Machinery Industries, a company with assets worth some 101.5bn won which has been under the management of the Korea Development Bank since 1981.

The company is reported to have debts totalling 198.3bn won, and Kia has been granted a substantial, though undisclosed, package of tax benefits under a recently enacted tax reduction and exemption law. The Korea Development Bank will extend to Kia 180bn won of loans, repayable over a 10-year period after a 10-year grace period.

The Government also announced the merging of the bankrupt Pong Man Paper company with Kyesung Paper. Pong Man is reported to have assets of 52.5bn won and debts of 79.5bn won.

EURONOTES AND CREDITS

Positive response to Gulf Canada's rare straight deal for \$500m

STRAIGHTFORWARD Eurocredits are becoming rather a rarity these days but last week offered some relief from the steady diet of commercial paper and Euronote deals which have dominated business recently, writes Peter Montagnon in London.

Gulf Canada, the Olympia & York subsidiary which recently acquired 80 per cent of Hiram Walker and owns a majority of the Abitibi-Price paper concern, is raising \$500m through a 10-year credit arranged through Chemical Bank.

Bank of America is also a lead manager in the deal, which is described as being for general corporate purposes. It carries a margin of

1/4 per cent over the London interbank offered rate for Eurocurrency deposits (Libor) for the first five years, rising to 1/2 per cent for the next five. During the first three years of its life it will be fully revolving for a commitment fee of 1/4 per cent.

One slightly unusual aspect of the deal is that 60 per cent of the amount will be available in Canadian dollars, a currency whose use in the Eurocredit market has become relatively rare. Initial indications suggested a positive response from the international banking community after the deal entered syndication last week.

Elsewhere, Chase Manhattan is

leading a \$110m, 11-year deal for Medio Credit, which is to finance Italian exports. This was a hotly contested mandate and has come out on predictably very fine terms. The borrower will pay a margin of 8/4 basis points for the first three years, rising to 10 basis points thereafter. Repayments start in December next year which gives a short average life of 8 1/4 years.

Chase is also leading a renegotiation of two outstanding loans to Fenosa, the Spanish electric utility which has been actively prepaying most of its foreign debt after sales of assets to another utility, Iberduero. Both the original loans were signed in 1980 and have outstanding

balances of \$88m and \$109m respectively. Basic terms provide for a 10-year maturity with a six-year grace period and an initial margin of 20 basis points, rising in stages to 30. One tranche of the larger loan, amounting to \$40.9m, will have a final maturity of 3 1/2 years and a margin of 1/4 per cent over Libor.

Still awaited, however, are firm details of a hotly contested \$200m loan mandate from Iberduero itself as well as a decision by the Spanish authorities on a new \$500m deal to replace its revolving underwriting facility led by Merrill Lynch. Also in the pipeline are major deals for Ireland and Electricite de France.

Among deals already in syndication, Greece's \$300m credit has proved very popular, raising some \$270m from the market by last Friday. Syndication is being extended to allow banks which have not yet replied to come into the deal, but it is already clear that scope exists for a substantial increase.

This result will come as a relief to the Greek authorities as the deal marks the country's first return to the Euro market since it was forced to seek financial assistance from the EEC last year. Bankers say the terms on the eight-year deal, which include a 1/4 per cent margin, have clearly proved more than attractive enough to restore the interest of lenders.

Toro to step up dividend

By Our Financial Staff

TORO Assicurazioni, the leading Italian insurance group, has achieved higher profits and plans an increase in its dividend.

Net profits for 1985 rose to L43.8bn (\$28.8m) from L33.5bn a year earlier. The performance stems in part from improved premium income, given a rise in premiums for last year to L1,296bn from L1,115bn.

The better profits background is allowing Toro to step up its payment to shareholders.

**U**

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25th March, 1986

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INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Bonds survive post-summit uncertainties

THE US credit markets dug through the drags of the Tokyo summit last week, survived the record \$27bn Treasury refunding, tolerated higher oil and commodity prices and an unexpectedly sharp \$3bn risk for MI and pondered the meaning of the Senate Tax Reform Bill.

US MONEY MARKET RATES (%) and US BOND PRICES AND YIELDS (%) tables with columns for instrument, rate/yield, and change.

Immediately following the summit, talk of further eventual rate declines and the continued generous addition of reserves by the Fed helped set the stage for a positive reception to an otherwise daunting Treasury refunding.

average yield of 7.47 per cent, the lowest since 10-year issues were introduced in 1976, and the new 7 1/2 per cent Treasury long bond produced an average yield of 7.37 per cent.

rates have risen by a more modest 20 basis points or less. Last week most short-term rates fell by between 2 and 10 basis points, helped by a lower funds rate.



back on the markets' "worry agenda." Smith Barney's economists noted: "To the extent that inflation expectations are revised upwards, this could, in the short run, dampen demand for bonds."

and serious banking problems in the south-west energy belt argue for a steady accommodative and eventual easier Fed monetary posture.

In the meantime, corporate America continues to push ahead with its own re-funding effort. According to Salomon Brothers analysts, US corporations raised a record \$27bn in domestic bonds last month, with much of the proceeds used by utilities and industrial issuers to re-fund existing higher coupon debt.

UK GILTS

Market drifts downward as activity slows

THE gilts market drifted lower last week, with four days of light turnover enlivened by occasional tales of a ramp. Long-dated stocks ended the week with losses of 4 point, yet it was hard to tie the market's weakness conclusively to the obvious domestic bearish factors: politics and the money supply.

no perceptible policy response from the authorities to the money supply numbers themselves—at least while the outlook for inflation remains good. This week provides the occasion for more news on that front, with producer price indices published today and the retail price index on Friday.

Although most forecasters now reckon the Treasury's projection of 3 1/2 per cent inflation in the fourth quarter of 1986 as too cautious, few are as optimistic as Mr Davies about how low inflation can fall this year and how long it can stay there.

FT/AIBD INTERNATIONAL BOND SERVICE

Large table listing international bond issues with columns for issuer, amount, price, and yield.

CIR International S.A. U.S.\$ 100,000,000 Multi-Option Facility. Includes logos for Citicorp, Banca Nazionale del Lavoro, and other financial institutions.

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A. \$75,000,000

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U.S. \$100,000,000

**European Coal and Steel Community**

9 3/8% Bonds Due 1996

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INTERNATIONAL CAPITAL MARKETS AND COMPANIES

The big European truck maker has successfully turned round. Kenneth Gooding reports

Lower costs put Iveco on road to recovery

IVECO, THE Fiat-owned group and western Europe's second-largest producer of heavy commercial vehicles, moved back into the black last year for the first time since 1982. According to Mr Giorgio Garuzzo, managing director, it should see a further improvement in profits in 1986.

Cost-cutting will have a further impact this year and will help lift profitability, even though the group expects no increase in vehicle sales.

Iveco, which is registered in the Netherlands, expects to report a net profit of Fl 120m (\$48.5m) for 1985, following losses of Fl 395m and Fl 232.6m in the previous two years.

The group sold 99,000 vehicles world-wide in 1985, up from 90,000 the previous year. Mr Garuzzo expects export demand to fall back a little this year, but prospects in western Europe are slightly better and should balance the loss of overseas sales.

Iveco is one of the world's major producers of diesel engines and last year sales improved from 229,000 in 1985 to

256,000. A further increase is expected this year, thanks particularly to orders from Fiat Auto, its sister car company.

Mr Garuzzo points out that, even though Iveco has had its financial difficulties in the past, the group continued to invest heavily in research and development. Last year's bill came to Fl 279m, up from Fl 190m in 1984.

Iveco was formed in 1975 to bring together the commercial vehicle interests of Fiat—incl. OM and Lancia in Italy and Unic in France—with those of Magirus in West Germany, previously owned by Klockner-Humboldt-Deutz, the engineering group.

The result is that Iveco now has 14 plants scattered throughout the major European countries with a considerable exchange of components.

The complexity is soon to be increased because from July—provided various governmental authorities give the all-clear—Iveco will take the Ford Cargo truck factory at Langley, Berkshire, in the UK under its

production umbrella.

Mr Garuzzo says: "The advantage of being an international company, a truly international one, has the intrinsic disadvantage of an organisational and production set-up which is far more demanding. Now the 14 plants are becoming 15, which means not only adding one plant but adding a new manufacturing location in a new major European country."

"That is something we are proud of but something which certainly is adding more managerial stress at a moment when we could be getting our breath back after Iveco's return to reasonable profitability following some years of loss and de-structuring costs. But we believe the association of Iveco with Ford is worth the effort."

Iveco produced 94,700 vehicles in 1985 compared with Ford's 17,000 Cargos at Langley. Cargo output is predicted to increase by about 1,000 this year.

The new joint company being set up by Iveco with Ford of Britain (each will have 48 per

cent, and the rest in the hands of Credit Suisse First Boston, the London merchant bank) will continue to supply Ford's export markets. About one-third of Langley's output goes to Continental markets and there are also exports to Turkey and Australia. Langley is supplying Cargo panels for the "world" truck Ford is building in Brazil, partly for sales in the US.

Mr Garuzzo says there is no question of switching to other sources for components supplied to Langley. Ford plants at present supplying Langley with components and assemblies for the Cargo, chiefly at Dagenham, Swinsea and Leamington, will continue these operations which represent a small part of their work.

There are about 400 other suppliers to Langley, of which around 40 — including such heavyweights as Lucas, GKN, Rockwell and Eaton — already do business with Iveco. Mr Garuzzo says: "A good supplier is an asset for any assembler and Iveco hopes to find some good new ones among the 360

it does not know."

Iveco has 39 dealers in the UK and Ford 121 specialist heavy truck dealers. The new company, Iveco Ford Truck, will have marginally fewer than the combined total and those which are no longer required will be so informed in the next few weeks.

The dealers will be combined in a unified network and will sell the full range of Iveco trucks alongside the Cargo models. "We do not want them competing against each other," says Mr Garuzzo.

Mr Garuzzo insists: "Although in gross weight terms some Iveco and Ford models overlap, power output generally differs significantly to make the two ranges complementary in almost every respect."

Last year Iveco's own import company registered 3,476 vehicles in the UK and Mr Garuzzo expects the number to increase significantly once the strength of the Ford network is behind the range even if Cargo sales might not show much improvement.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount	Maturity	Average	Coupon	Price	Bank	Issue
(\$m)	(years)	(%)	(%)	(%)	(%)		
U.S. DOLLARS							
Banco Sec. *	40	1991	5	2 1/2	100	Banco Sec.	2.52
Dalva Sec. *	40	1991	5	2 1/2	100	Dalva Sec.	2.52
Suzano Sp. Merito *	110	1990	4	1 1/2	100	Suzano Sp.	2.54
A.N.A.S. (a)†	100	1990	10	8	100	A.N.A.S.	2.54
UFC U.S. Inc. (b)††	100	1996	10	8	100	UFC U.S. Inc.	2.54
Christie Bank ‡	100	1996	15	10	100	Christie Bank	2.54
Standard Oil Co. ‡	100	1991	15	10	100	Standard Oil Co.	2.54
SCI Systems §	100	1991	5	2 1/2	100	SCI Systems	2.54
BHP ‡	75	2001	15	10	100	BHP	2.54
American Bankers Int. §	50	1991	5	2 1/2	100	American Bankers Int.	2.54
Bank of Tokyo (d) ‡	50	1993	5	2 1/2	100	Bank of Tokyo	2.54
Toyota ‡	50	1993	5	2 1/2	100	Toyota	2.54
United Kid ¶	40	2001	15	10	100	United Kid	2.54
Danoro Heavy Ind. §	200	2000	7	8	100	Danoro Heavy Ind.	2.54
East-End Bank Japan ‡	100	1993	5	2 1/2	100	East-End Bank Japan	2.54
Toyo Trust Asia ‡	100	1993	5	2 1/2	100	Toyo Trust Asia	2.54
National Westminster ‡	150	1991	5	2 1/2	100	National Westminster	2.54
Mimban ¶	50	1991	5	2 1/2	100	Mimban	2.54
Int. Finance Corp. ‡	50	1993	7	7 1/2	100	Int. Finance Corp.	2.54
Moscow Narodny (a) ‡†	100	1993	7	7 1/2	100	Moscow Narodny	2.54
AUSTRALIAN DOLLARS							
IBM (Australia) ‡	150	1993	3	12 1/2	100	IBM (Australia)	2.54
NEW ZEALAND DOLLARS							
Morgan Stanley ‡	100	1989	3	16 1/2	101 1/4	Morgan Stanley	2.54
HONG KONG DOLLARS							
Sin King Int. Prop. (a)††	500	1993	7	7 1/2	100	Sin King Int. Prop.	2.54
D-MARKS							
Wolfsbank ***	250	1993	7	5 1/2	99 1/4	Wolfsbank	2.54
Bank of W. ¶	70	1991	5	5 1/2	100	Bank of W.	2.54
WestLB Finance ‡	250	1991	12	5 1/2	99 1/2	WestLB Finance	2.54
NordLB Finance ‡	250	2001	15	5	100	NordLB Finance	2.54
Me Ochs Bank ‡	100	1993	7	5 1/2	100	Me Ochs Bank	2.54
SWISS FRANC							
First City Trust ‡	100	max.	1996	—	97 1/2	First City Trust	2.54
Tokai Gas Co. ***†	50	1991	—	—	100	Tokai Gas Co.	2.54
Sakhalin Co. ***†	20	1991	—	—	100	Sakhalin Co.	2.54
Oilvert Int. (Lux) ‡	150	2046	—	—	100	Oilvert Int. (Lux)	2.54
Okanara Corp. ‡	30	1994	—	—	100	Okanara Corp.	2.54
General Motors ‡	300	1991	—	—	100	General Motors	2.54
Manitowoc ‡	40	1991	—	—	100	Manitowoc	2.54
Takafuji Corp. ***	20	1991	—	—	100	Takafuji Corp.	2.54
Yokohama Rubber ‡	40	1991	—	—	100	Yokohama Rubber	2.54
RJR Nabisco (UK) ‡	200	2001	—	—	100	RJR Nabisco (UK)	2.54
STERLING							
Leeds Permanent B. Sec. ‡	50	1993	7	9 1/4	100 1/4	Leeds Permanent B. Sec.	2.54
ECLA							
Chicago ‡	50	1993	7 1/2	7	100	Chicago	2.54
HFG Luxembourg ‡	25	1992	6	7	100 1/4	HFG Luxembourg	2.54
World Bank ‡	80	2001	15	6 1/2	100	World Bank	2.54
FRENCH FRANC							
Nederlandse Gasunie ‡	400	1996	10	7 1/2	100	Nederlandse Gasunie	2.54
LUXEMBOURG FRANC							
Dalva Bk of Norway ***	300	1991	5	7 1/2	100	Dalva Bk of Norway	2.54
YEN							
Borg Warner ‡	17m	1991	5	5 1/2	101 1/4	Borg Warner	2.54
Thomson Bank ‡	17m	1993	7	5 1/2	101 1/4	Thomson Bank	2.54
Hewlett-Packard ‡	17m	1991	5	5 1/2	101 1/4	Hewlett-Packard	2.54

Hugo Boss doubles earnings

By Our Financial Staff

HUGO BOSS, the West German men's fashion producer which was launched on to the bourse last year, has more than doubled group net profit to DM 22m (\$10m) for 1985 from DM 10.1m in 1984.

Group turnover rose 30 per cent to DM 309m, producing a net profit margin of 7.1 per cent, up strongly from the 4.2 per cent of 1984.

Holders of non-voting preference shares offered to the public last year are not entitled to a dividend on last year's results but will receive payment on profit for the current year.

In a heavily over-subscribed issue last December, German investors were offered a nominal DM 4.5m of non-voting preference shares out of total capital of a nominal DM 15m. The issue raised DM 80.7m.

Hugo Boss is a small chain of distinctly up-market fashion shops, run by two brothers, Jochen and Uwe Holy. They aim their products almost exclusively at Germany's male executive classes.

Imperial Cold Storage setback

By Our Financial Staff

A FALL of a fifth in profits before tax is reported by Imperial Cold Storage, the South African meat and dairy products group, for the six months ended March 1986.

The company has suffered from the weakness of the consumer economy in South Africa, and has been hit by technical startup problems at a dairy plant. In the event, profits have tumbled to R13.8m (\$6.5m) from R17.4m a year earlier.

Shareholders are to receive a maintained 10 cents a share dividend, but in broad terms the outlook for trading is unsteady. The group says prospects for the remainder of this year will depend on whether consumer demand improves.

Sales for the six months rose by 7 per cent to R702m, but group trading margins have been under severe pressure and operating profits fell to R17.9m from R21.9m.

Imperial Cold Storage has also had problems lower down the profit and loss account. Its tax charge for the half-year has

Investment costs weigh on Hachette

By David Housego in Paris

HACHETTE, France's largest publishing group, showed a downturn in profits last year but looks forward to a recovery in 1986.

The group reports that consolidated profits, excluding capital gains, fell by 12 per cent in 1985 to FF 110.8m (\$16m). Taking in capital gains, the drop was even sharper, with net earnings falling by 38 per cent to FF 109.9m.

Hachette says that last year's profit decline was due to heavy investments which will yield results over the medium term. In the meantime, it says, it will be raising fresh capital through the issue of non-voting shares (certificats d'investissement) or through bonds repayable in non-voting equity.

For 1986, the group says that profits after allowance for capital gains will be considerably boosted by the disposal of assets, including 8.2 per cent of Compagnie Luxembourgeoise de Télédiffusion (CLT), which owns Radio Television Luxembourg.

Israeli shipping line out of the red

By Lynne Richardson in Tel Aviv

ZIM, Israel's state shipping line has succeeded in turning a 1984 loss of \$45m into a profit for 1985 of \$56m.

The company is currently negotiating with its bankers and the Government, which holds 40 per cent of Zim shares, to re-schedule heavy borrowings.

Zim's turnover, at \$706m in 1985, was five per cent down on the previous year but this was in line with the company's policy of cutting less profitable operations and reducing costs in all quarters.

"We have cut our costs considerably during the last year and this has been instrumental to the improvement of our results," says Mr Matti Morgenshtern, the managing director, who took over at Zim last November.

Expenses were cut and manpower has been reduced by 11 per cent. Zim intends to cut the workforce by a further 300.

Mr Morgenshtern says he is proud that while the crisis in world shipping remains, Zim has managed to stay afloat. The company's largest shareholder, the Israel Corporation, made a recent unsuccessful attempt to sell its 50 per cent stake to the Israeli Government.

Zim does not receive subsidised loans from the state.

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**C.\$150,000,000**  
**9 1/4 per cent. Notes, Series BCEC-5, due 1996**

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Deutsche Bank Capital Markets Limited	EBC Amro Bank Limited
Generale Bank	Kredietbank International Group
Merrill Lynch Capital Markets	Nomura International Limited
Orion Royal Bank Limited	Union Bank of Switzerland (Securities) Limited
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Österreichische Länderbank Aktiengesellschaft	Rabobank Nederland	Saitama Bank (Europe) S.A.
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Toronto Dominion International Limited		Vereins- und Westbank Aktiengesellschaft
Verwaltungs- und Privatbank Aktiengesellschaft	Westdeutsche Landesbank Girozentrale	Wood Gundy Inc.

New Issue This announcement appears as a matter of record only. May, 1986

**Rabobank Nederland**  
 Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.

**ECU 75,000,000**  
**7 1/2 per cent. Bonds due 1996**

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Banque Paribas Capital Markets Limited	Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft
County Bank Limited	Crédit Agricole
Credit Suisse First Boston Limited	Deutsche Bank Capital Markets Limited
DG BANK Deutsche Genossenschaftsbank	Dresdner Bank Aktiengesellschaft
EBC Amro Bank Limited	Generale Bank
Genossenschaftliche Zentralbank AG-Wienna	Goldman Sachs International Corp.
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Société Générale	Swiss Volksbank

Union Bank of Switzerland (Securities) Limited

New Issue This announcement appears as a matter of record only. May, 1986

سكوتيا من الاجل

**UK COMPANY NEWS**

**USM value of British Island Airways is £11m**

BRITISH ISLAND AIRWAYS, the non-scheduled airline carrier which takes International Leisure, Owners Abroad, Pegasus, Viking, and other tour operating companies passengers to the Mediterranean hotspots, is coming to the USM via a placing of 2.7m shares priced at 60p each. This values the company at £10.8m.

Over the four years to 1985, pre-tax profits rose from £50,000 to £1.7m, turnover was up from £10m to £20.7m and the number of passengers carried increased from 184,000 to 371,000, placing the company fifth in the Gatwick carrier's league.

For 1986 the outlook is for a continuation of recent profit rises says the company, which suggests pre-tax profits for the year in excess of £1.4m. The origins of BIA are in the 1981 management buy-out of Air UK. As a result, pilots who worked for Air UK hold some 20 per cent of the company. Of the rest of the shares, Mr Peter Villa, presently chairman and managing director, owns 70 per cent and other directors the outstanding 10 per cent.

**BOARD MEETINGS**

TODAY	Energy	June 22
Associated	Avon	June 22
Services, BOC	Baird Tin	May 27
Investment Trust, TH Technology	Bradford Property Trust	June 10
Investment Trust, Tysons (Contractors)	External Investment Trust	May 14
	Fab International	May 18
	Fine Art Developments	May 20
	Foster (John)	May 15
	Gleaves	May 14
	Hartwell	May 21
	Henderson	May 29
	Hill (Philip) Investment Trust	May 27
	London Associated Invest Trust	May 27
	Samuel (H)	May 23
	Spectra Automotive and Engineering Products	May 20
	Toshiba Corporation	May 23

The 2.7m shares being placed are equivalent to 15 per cent of the expanded total. Proceeds from the placing — in which Mr Villa will sell 800,000 shares and 900,000 are being sold by other directors and pilots, with the remaining 1m being new shares — will be £450,000 for BIA which will be used to expand working capital.

On a pro-forma basis net assets per share should be 85p. Net debt totals £3.4m secured on the company's eight aircraft. This compares with shareholders' funds of £3.3m at the end of 1985 and £11.7m on a pro-forma basis following the placement, and the directors' revaluation of the company's fleet and spares up from £8.43m to £16.2m.

While final details of the placement will not be known until the prospectus is published on Wednesday, the indications are that the prospective price will be around eight times earnings in 1986 provided the low tax rates of recent years are maintained.

**King & Shaxson profit up to £1.1m**

King & Shaxson, the discount house which is bidding for competitor Smith St Aubyn, has lifted its net profit from £788,000 to £1.1m for the year ended April 30 1986. The figures are struck after providing for rebate, tax and contingencies.

The final dividend is 6.25p to raise the net total to 8.75p, compared with 8.25p.

Total published resources have increased from £9.2m to £9.47m.

On Wednesday, King announced that it spoke for 38.5 per cent of Smith St Aubyn shares and was extending the offer until May 21. Smith had originally recommended a cash offer of £8.35m from the US banking group Irving Trust, but withdrew that on the higher bid from King. Irving has since pulled out.

**Norfolk Capital**

PRE-TAX profits at Norfolk Capital Group, hotel operator were £1.37m for the 15 months to December 31 1985 compared with £505,000 for the previous year. Lady Joseph, widow of Sir Maxwell, the retiring non-executive chairman, says the record results reflect the success of the marketing strategy which has been adopted by the management and the continuing upgrading of the company's hotels.

A total dividend of 0.3p against 0.25p has been paid. Stated earnings per share advanced from 0.47p to 0.82p.

**Joseph Holt ahead**

Joseph Holt, Manchester-based brewer, has lifted pre-tax profits by 15.6 per cent from £2.64m to £3.05m in 1985. At the halfway stage, it had achieved £1.4m against a previous £1.21m.

The dividend total for the year is increased to 16p (14p), with a 12.5p (11p) final proposed. Stated earnings per share rose from 49.53p to 61.75p.

This announcement appears as a matter of record only



**ECU 60,000,000**

**POLYSAR LIMITED**  
(incorporated under the laws of Canada)

**9 3/8% Debentures due 1993**

Issue Price 100%

- BANQUE PARIBAS CAPITAL MARKETS LIMITED
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- KREDIETBANK INTERNATIONAL GROUP
- WOOD GUNDEY INC.
- BANQUE INTERNATIONALE A LUXEMBOURG S.A.
- BAYERISCHE VEREINSBANK AKTIENGESELLSCHAFT
- CREDIT COMMERCIAL DE FRANCE
- CREDIT DU NORD
- DOMINION SECURITIES PITFIELD LIMITED
- MORGAN STANLEY INTERNATIONAL
- ORION ROYAL BANK LIMITED
- RABOBANK NEDERLAND
- UNION BANK OF SWITZERLAND (SECURITIES) LIMITED

**CANDOVER INVESTMENTS PLC**

congratulates  
**Technology Project Services PLC**

on the company's successful public placing of 1,972,281 Ordinary shares at 140p per share. Technology Project Services was formed in July 1984 following a management buy-out from The Greyhound Corporation (USA), initiated by Mr Richard Avery and arranged by Candover Investments.



**CANDOVER INVESTMENTS PLC**

Candover Investments plc, 8-9 East Harding Street, London EC4A 3AS. Telephone: 01-583 5090.



**TOTAL COMPAGNIE FRANÇAISE DES PÉTROLES**  
Consolidated financial statement at December 31, 1985

At its meeting on May 6, 1986, the Board of Directors examined the consolidated financial statements of the TOTAL Group at 31.12.85 (in millions of francs: MF).

	1985	1984
Sales	173,120	158,778
Cash flow	7,923	8,718
Results	1,428	1,307
—Group share	1,473	1,708
—Minority share	-47	-40
Estimated stock gains/losses	-2,000	1,400
Cash flow net of stock gains/losses	9,923	7,318

1. Cash flow is mainly attributable, as in previous years, to oil and gas production, particularly in the North Sea. The Refining and Marketing sector's results were severely affected by a stock holding loss of 2,000 MF, due in very large part to the fall in the dollar. Net of stock holding losses, cash flow for this sector improved however, especially as regards the American affiliate TOP(NA).

The Group's cash flow, calculated net of stock holding losses, thus increased sharply from 7,318 to 9,923 MF.

2. The value of the stocks listed in the financial statements of the refining/marketing subsidiaries at December 31, 1985 was determined on the basis of their market value at that date.

The fall in the oil price since the beginning of 1986 has therefore had no impact on the 1985 accounts. Because of this fall, turnover of the stocks existing at December 31, 1985 generated a loss in value of 2,500 MF compared to their balance sheet value; this sum confirms the forecasts made when the results of the parent company were published on March 5 last. It will be included in the Group's consolidated financial statements for 1986.

3. Gross capital expenditure amounted to 10,888 MF compared with 9,808 MF in 1984. Net capital expenditure was 8,037 MF against 7,083 MF. Most of this expenditure was in the oil exploration and production sector.

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**UDO Holdings plc**

(Incorporated in England under the Companies Acts 1948 to 1967 with Registered Number 1093958)

SHARE CAPITAL		Issued and fully paid
Authorised	Ordinary shares of 10p each	£2,090,748
£2,800,000		

The Council of The Stock Exchange has granted permission for the whole of the share capital of UDO Holdings plc, currently dealt in on the Unlisted Securities Market, to be admitted to the Official List. Details relating to UDO Holdings plc and the above shares are available in the statistical services of Extel Statistical Services Limited. Copies of the listing particulars may be obtained during usual business hours on any weekday (Saturdays and public holidays excepted) up to and including 27th May, 1986 from:

- Hill Samuel & Co. Limited  
100 Wood Street, London EC2P 2AJ
- Wood Mackenzie & Co. Limited  
Roman House, Wood Street, London EC2Y 5BP
- UDO Holdings plc  
The Stock Exchange  
11 Jerusalem Passage, St. John's Square, London EC1V 4JP
- Company Announcements Office  
The Stock Exchange  
Throgmorton Street, London EC2P 2BT  
up to and including 13th May, 1986

12th May, 1986

This announcement appears only as a matter of record only



**Canberra Capital Markets Limited**

(A company incorporated in the Australian Capital Territory, Australia; a wholly-owned subsidiary of the Canberra Permanent Co-operative Building Society Limited)

**A \$ 40,000,000**  
**14 1/2 per cent. Notes due 1991**  
(Payable in U.S. dollars)

Guaranteed by  
**BANQUE NATIONALE DE PARIS**

Issue Price 100 3/8 per cent.

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- BANQUE BRUXELLES LAMBERT S.A.
- ALGEMENE BANK NEDERLAND N.V.
- CHASE INVESTMENT BANK LIMITED

- BANKAMERICA INTERNATIONAL LIMITED
- BANQUE INTERNATIONALE A LUXEMBOURG S.A.
- CHEMICAL BANK INTERNATIONAL GROUP
- DAIWA EUROPE LIMITED
- DRESDNER BANK
- KLEINWORT, BENSON LIMITED
- MORGAN GUARANTY LTD
- STANDARD CHARTERED MERCHANT BANK
- S.G. WARBURG & CO. LTD.
- WESTPAC BANKING CORPORATION

17th March, 1986

**TO FRENCH STOCK MARKET WATCHERS**

Investment decisions have to be based on reliable information supplied by specialists. DAFSA KOMPASS, foremost French group for both financial documentation and analysis, offers, among a broad range of services:

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BANK REPORTS     INDUSTRY SURVEYS  
 "SEF"-REPORTS     INDUSTRY SURVEYS  
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**PRESIDENT ENTERTAINMENTS plc**  
(Registered in England No. 68751)

Authorised	SHARE CAPITAL	Issued and to be issued
£13,500,000	Ordinary Shares of 50p each	£9,807,456

President Entertainments plc currently owns and operates restaurants in London, England, in Orlando, Florida, USA and in Vancouver, British Columbia, Canada.

The Council of The Stock Exchange has granted permission for the whole of the share capital of President Entertainments plc, formerly dealt in on the Unlisted Securities Market, in issue and to be issued to be admitted to the Official List. Details relating to President Entertainments plc and the above shares are available in the statistical services of Extel Statistical Services Limited. Copies of the listing particulars may be obtained during usual business hours on any weekday (Saturdays and public holidays excepted) up to and including 27th May, 1986 from:

- President Entertainments plc  
6 Hanover Street  
London W1R 9HH
- Phillips & Drew  
120 Moorgate  
London EC2M 6XP
- Company Announcements Office  
The Stock Exchange  
Throgmorton Street  
London EC2P 2BT  
(for the next two business days)

12th May, 1986

UK COMPANY NEWS

Andrew Taylor looks at the background to the £30m Emess bid for Rotaflex

Not a light battle ahead

ELEVEN YEARS ago Mr Michael Meyer and his partner Mr Grenville Payne borrowed £14,000 from a friend to buy a pile of plastic injection mouldings.

Last month the company Meyer and Payne bought with the proceeds from selling the mouldings launched a takeover bid which, if successful, would create Britain's second largest lighting products group with sales of more than £80m.

Emess, the tiny Essex company the two men acquired in 1976, is bidding to acquire Rotaflex, a company which has won numerous design awards for its stylish light fittings and which is vigorously opposing a share offer worth more than £30m.

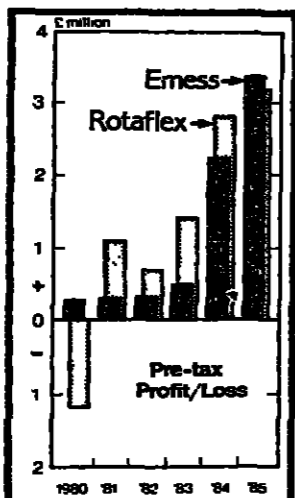
Watching the battle from the sidelines is a string of German companies like Croco, Staff and Hoffmeister, which are anxious to increase market share in Britain, supplying high value added display and decorative light fittings to commercial premises like shops, hotels, offices, restaurants, art galleries and museums.

It is this top end of the commercial market which generates about 50 per cent of Rotaflex sales. One of the most attractive of its businesses is the Concord commercial lighting subsidiary, which Emess pre-viously acknowledged, deserves its reputation for style and quality.

Emess is growing rapidly, and only entered the commercial sector last August when it purchased Marlin Lighting for £12.6m. The deal was accompanied by a £12.9m rights issue.

Marlin does produce some top of the range fittings but mostly its products are more downmarket than those of Concord. "More corridors and bathrooms than fancy foyers," is a rather cruel description of one competitor.

The acquisition was typical of Emess. Only three months earlier it had announced a



Mr Michael Meyer (left), chairman of Emess, and Mr Michael Frye, chairman of Rotaflex

£3.3m rights issue to support the purchase of £25m of Marchant Holdings, the privately owned Hertfordshire based pottery lamp and lampshade manufacturer.

Rotaflex would be the third big purchase since last May, taking the total value of acquisitions to around £50m for a company which in 1985 reported pre-tax profits up by 51 per cent to £3.38m as sales rose from £22.16m to £30.68m. This compares with Rotaflex pre-tax profits up by 15 per cent to £3.18m on sales of £50.06m in 1985.

Mr Michael Frye, chairman of Rotaflex, claims that Emess needs to mount its bid to rejuvenate an ageing range of products both on the commercial and domestic front. He says Emess has bought short-term growth by buying profits with expensively priced paper and ignored long-term product development.

Mr Michael Meyer, chairman of Emess, in return portrays Rotaflex as a company that has excellent designs but has failed to get the best return from its assets. He says Emess has the financial and management

strengths to make the Rotaflex assets sweat a bit more. The two statements illustrate the markedly different approach of the two companies.

"When we talk to a customer like Harrods we don't start by talking about price, we talk about design and product," says Mr Guy Cervellini, director-general in charge of Rotaflex's French operations, which in 1984 paid FF 6.5m for Le Dauphin, a high quality manufacturer of domestic table lights.

The Emess chairman by comparison describes himself as a businessman who chose to come into the lighting industry because he could see the potential in lots of small companies with good products, but lacking professional management to take full advantage of their position.

The company is critical of what it describes as Rotaflex's erratic profit record and says that pre-tax margin on group turnover of £50m was too low for the quality of the company's business.

Rotaflex is a former family business which went public in 1964. Frye family interests still

held a 27 per cent interest. It has had a chequered history since it went public. Just two years after the flotation, it ran into serious trouble following a series of poorly organised factory moves. Pre-tax profits slumped from £208,000 in 1964 to a £56,000 loss in 1966. As recent as 1980 Rotaflex made a pre-tax profit of £1.2m.

Michael Frye says that 1980 was an exceptional year for Rotaflex. "Lighting sales slumped throughout the industry as the company were still having to meet the cost of rationalisation with the number of Concord sites in Europe being cut from 12 to 2."

A dip in pre-tax profits in 1983 is similarly excused by exceptional costs of £300,000 caused by the transfer of production from Belgium to Concord's UK plant.

The company says that lower pre-tax margins and a temporary increase in borrowings last year reflects investment in new plant and products which should contribute to increased profitability. The loss-making Le Dauphin has, for example, been reorganised and will make a substantial profit this year. "We are just poised to reap the benefit of these investments which Emess would get if it

took over the company," says Mr Frye.

Rotaflex also has a Dutch subsidiary Lumiance manufacturing products for mostly domestic lighting. It also owns Linolite, best known for its shaver lights. More than 50 per cent of Rotaflex sales are made overseas.

Emess—which says Rotaflex makes too many excuses for why it is never jam today but always jam tomorrow—has its stronghold in the highly fragmented UK domestic lighting market: a sector characterised by imports, small family businesses and dominated by Thom-EML.

Annual sales in the sector have been estimated at between £300m and £400m. Emess has grown rapidly. Since its listing in 1980 pre-tax profits have jumped from £300,000 to £2.5m. Within five months of its listing it had made its first major acquisition purchasing Poole Lighting, the Dorset-based brass light fitting manufacturer, in a share deal worth £190,000.

The company boasts that—despite a rather flat period in the early 1980s—it has made increased profits in every one of the past five years and is selling through an impressive list of retailers and DIY outlets, including its biggest customer British Home Stores. Its products are attractive, well designed and competitively priced.

Rotaflex, however, argues that its high fashion products would suffer alongside the Emess range. It is critical of Emess's continued use of its own paper to make ambitious bids. It says the company should be consolidating its acquisitions not launching another takeover bid and adds that Emess has no experience of overseas markets and, until last year, of the commercial market in the UK.

Emess denies that its products are aging and faded or that it has failed to invest in new products. It says it operates in a different part of the market to Rotaflex but that the two companies would fit neatly alongside each other and Rotaflex would benefit from its management.

Arlington shares offered at 115p

By Lucy Kellaway

Arlington Securities, a property development and trading company, is seeking a listing on the stock exchange which will value it at £55.1m.

The prospectus is published today of an offer for sale by Hill Samuel of 8.7m shares at 115p each, which will raise £8.6m in new money for the company.

Arlington specialises in developing business parks as well as other office and retail projects. The company usually carries out its development through partnerships, and is responsible for planning and negotiating the schemes, for the acquisition of the finance and for the project management of construction.

It is currently working on five business parks, and has plans for a further two sites at Gatwick and Birmingham. Together the seven areas occupy 314 gross acres.

Proceeds of the issue will allow Arlington to expand its activities and give it more room for manoeuvre in allocating the share of the developments to its partners.

The company was founded 10 years ago and initially operated as a property trader. It embarked on its first business park development five years ago at Marlow, Bucks.

During the last five years group profits have risen from £85,000 to £2m in 1985, while turnover in the period has increased from £2.5m to £42.5m. For the current year profits are forecast to be at least £5.2m.

Based on the forecast, the shares are being sold on a p/e ratio of 15.5, and will yield 2.1 per cent. Tangible net assets per share are 45.5p. The offer is being made on a May 15. Brokers to the issue are de Zeeuw & Bevan.

comment

Arlington comes to the market at a time when investors have quite changed their minds about the kinds of ratings that should be attached to young specialist property companies. Such a rating has been amply reflected in Arlington's issue price, far premium over assets and an above-average p/e. Nevertheless, there should be no shortage of takers as the business park concept has caught the imagination of investors. Furthermore, the company has a good management and a solid record. Little of the profit on existing developments has been realised so far, leaving a respectable amount in the bag to tide the company over for the next four to five years. Meanwhile, the money raised will allow it to increase its own stake in future developments if it so chooses.

F.T. Share Information

The following securities have been added to the Share Information Services: Rand Extensions & Exploration Ltd (Section: Mines-Eastern Rand).

Applied Holographics joint venture

Applied Holographics is to form a joint UK venture with Transfer Print Folios Inc to mass produce embossed holograms in a deal worth \$1.5m.

Applied will hold a 50 per cent in a TPF-owned business, Newco, operating in the UK. Newco which has net assets of \$2.1m will also have exclusive rights to sell embossed foil in Great Britain, Western and Eastern Europe.

Payment for the stake will be made via a vendor placing of 393,000 new shares places by Laing and Crutchbank and Charles Manhattan Secs (formerly Laurie Millbank).

Kingsley & Forester turns in £2m

IN THE first full year as an enlarged group, the Kingsley & Forester Group has achieved a pre-tax profit of £2.01m, in spite of the adverse weather, disappointing clothing sales and a production shortfall in the household textiles division.

The directors view this as encouraging, given the year has been one of consolidation during which the businesses of Kingsley and Forester and K. O. Boardman were fully integrated. They were paying a final dividend of 2.038p for a net total of 3.038p.

SHARE STAKES

Changes in company share stakes announced over the past week include: BTR - Sir Owen Green, director, exercised options and acquired 100,000 ordinary shares at 105p and 45,000 at 112p, and sold 145,000 at 47p. His wife, is now 920,000 shares (0.0837 per cent).

Tarmac—chairman and chief executive Sir Eric Pountain sold 35,000 ordinary shares at 47p on May 6.

Rafes (Jewellers) - Kleinwort Greaveson bought 50,000 new ordinary shares at 39p on behalf of a discretionary investment client on May 8.

Marshall's Universal - Charlton Seal Dimmock, on behalf of discretionary clients of the English Trust, purchased 25,000 shares at 78p on May 8.

Kalen Group - M. S. Silver, director, sold 2m ordinary shares at 29p on April 16. L. H. Silver sold 750,000 ordinary shares at 29p on April 16.

Bodycote International - On

May 2 director J. C. Dwek disposed of 20,000 ordinary shares from 250,000 held at 10p, at prices ranging from 24p to 26p. His beneficial holding is now 1,615,000 (16.36 per cent), and his holding as trustee is 140,000 shares (1.42 per cent).

Jardine Matheson Holdings Limited

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Members of the Company will be held on the top floor, Connaught Centre, Connaught Road Central, Hong Kong on Thursday, 5th June, 1986 at noon for the following purposes:

- 1 To receive and consider the Statement of Accounts and the Report of the Directors and of the Auditors for the year ended 31st December, 1985.
2 To declare a dividend.
3 To elect Directors.
4 To appoint Auditors and to fix their remuneration.
5 As special business:

To consider and, if thought fit, adopt with or without amendments, the following Ordinary Resolutions:

- (a) "That a general mandate be and is hereby unconditionally given to the Directors to issue and dispose of additional ordinary shares (in addition to ordinary shares issued as a result of the scrip dividend, conversions of the Mathesons Investments Ltd £5,500,000 7 3/4% Convertible Unsecured Loan Stock 1987/92 and on the exercise of warrants issued by Jardine Matheson (Finance) Ltd) not exceeding 10% of the issued ordinary share capital of the Company".
(b) (i) "That the Directors be and are hereby authorised to adopt and implement the Senior Executive Share Incentive Scheme (Scheme) the principal features of which are summarised in the Appendix to the circular to shareholders dated 9th May, 1986;
(ii) that any Director be and is hereby authorised to vote and be counted in a quorum on any matter connected with the Scheme including the plans to be established thereunder notwithstanding that he may be interested therein (except that no Director may be counted in a quorum or vote in respect of his participation), and the prohibition on voting by interested Directors contained in the By-Laws of the Company be and is hereby relaxed to that extent accordingly; and
(iii) that the Directors be and are hereby authorised to do all acts and things which they may consider necessary or expedient for implementing and giving effect to the Scheme".

- Notes:
1 A Member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him; a proxy need not also be a Member of the Company.
2 Concerning Item 5(a) above, the Directors wish to state that they have no immediate plans to issue any new ordinary shares in the Company with the exception of (i) the scrip dividend (ii) shares issued on the conversion of the Mathesons Investments Ltd loan stock and on the exercise of the Jardine Matheson (Finance) Ltd warrants and (iii) shares issued in accordance with Item 5 (b) above, if approved.

By Order of the Board
R. C. Kwok
Company Secretary
Hong Kong, 9th May, 1986

Jardine Matheson Holdings Limited
(Incorporated in Bermuda with limited liability)

Table with 10 columns: Index Name, May 9, May 10, May 11, May 12, May 13, May 14, 1985 High, 1985 Low, Since High, Completion Low. Includes Government Secs, Fixed Interest, Ordinary, Gold Mines, FT-Act All-Share, FT-SE100.

Wells Fargo & Company
U.S. \$200,000,000
Floating Rate Subordinated Notes due 2000
In accordance with the provisions of the Notes, notice is hereby given that for the Interest period 12th June, 1986 the Notes will carry an interest rate of 7 1/4% per annum.

LADBROKE INDEX
1.256-1.332 (-11)
Based on FT Index
Tel: 01-427 4411

Bankers Trust International Capital N.V.
(Incorporated in the Netherlands Antilles)
U.S. \$200,000,000
Guaranteed Floating Rate Subordinated Notes Due 1996
For the three months 13th May, 1986 to 13th August, 1986 the Notes will carry an interest rate of 7 per cent per annum and interest payable on the relevant interest payment date 13th August, 1986 will be US\$178.89 per US\$100,000 note.

Granville & Co. Limited
Member of The National Association of Security Dealers and Investment Managers
8 Lovat Lane, London EC3R 8BP Telephone: 01-421 1212
Table with columns: Company, Price on week day (p), % Actual, Fully Paid, P/E. Lists various companies like Ass. Brit. Ind. Ord., Aisgung, etc.

EQUITIES

Table with columns: Price, Change, Stock Name, High, Low. Lists various equity securities like Artley Sp., Comb. Lease Pp., etc.

FIXED INTEREST STOCKS

Table with columns: Issue Price, Amount Paid, Latest Yield, Stock Name, High, Low. Lists fixed interest securities like ASDA Prop. 10 1/2% Deb. 2011, etc.

RIGHTS OFFERS

Table with columns: Issue Price, Latest Yield, Stock Name, High, Low. Lists rights offers like Aquascutum A Sp., Amoco Newspapers, etc.

Renunciation date usually last day for clearing free of stamp duty. Figures based on consensus estimates. 2 Assumed dividend and yield. 3 Assumed dividend and yield after scrip issue. 4 Forecast dividend cover on earnings updated by latest interim statement. 5 Dividend and yield based on prospectus or other official estimates. 6 Forecast annual dividend rate, cover based on previous year's earnings. 7 Issued by tender. 8 Offered holders of ordinary shares as a rights issue. 9 Issued by way of capitalisation. 10 Placing price. 11 Return to shareholders. 12 Unlisted securities market. 13 Deal in under Rule 535 (3). 14 Deal in under Rule 535 (4) (e).

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

Table with columns: Date, Announcement last year, Date, Announcement last year. Lists companies like Allied Irish Banks, Amstar, Aryl Group, etc.

Perhaps the bravest man I ever knew... and now, he cannot bear to turn a corner
Six-foot-four Sergeant 'Toby' G.T.T.A. DOH, was perhaps the bravest man his Colonel ever knew. Before he was sent to Aden, after being badly-treated and ambushed in Northern Ireland, Sergeant 'Toby' cannot bear to turn a corner without looking back over his shoulder. For the bravest man and woman from the Services that suffer most from PTSD, he has the answer.
We look after these brave men and women. We help them at home, and in hospital. We run our own Development Houses and for those who are homeless and cannot look after themselves. We have flats where they can see out their days in peace.
These brave men and women have done their duty to their Country. It is time to help them, and to help them help others.
They've given more than they could - please give as much as you can!
To protect their concerns, this is an amalgam of several such case histories of Patients in our care.
EX-SERVICES MENTAL WELFARE SOCIETY
Broadway House, The Broadway, Wembley, Wembley HA9 7NL. Tel: 01-643 8533
Please find enclosed my donation for £5/10/20/50.
Please send the further details about the Ex-Services Mental Welfare Society.
Name: PLOTTERTS
Address:
Signature: [ ]

INTL: APPOINTMENTS

New Hapoalim chairman in Israeli bank shake-up

BY LYNNE RICHARDSON IN TEL AVIV

BANK HAPAOALIM, Israel's second largest bank, has announced that Mr Amiram Sivan, 48, former director-general of the Ministry of Finance, is to take over from Mr Giora Gazit as chairman.

Mr Gazit, who has held the post since 1981, is to be replaced by Mr Sivan, who has been in the Ministry of Finance since 1981. Mr Sivan is also a member of the board of directors of the Israel Discount Bank.

Mr Gazit, on the other hand, was commended for his "public-minded position, which went beyond the narrow interests of the bank." It is likely that Mr Gazit will be offered another high-placed post within the framework of Herat Ozdim, the trades-union affiliated holding company to which Bank Hapoalim also belongs.

The Government appointed Commission of Enquiry, led by Justice Moshe Bejsky, was charged with investigating the system of stock manipulation which the Israeli banks used to support the price of their shares, over a period of years.

Although in contravention of existing legislation, the regulations took place under the eyes of the stock exchange, securities authorities and various government officials from the Finance Minister down. Many of these personalities were cen-

sured in the report, with the dismissal of the Governor of the Bank of Israel, Dr Moshe Mandelbaum, also being recommended. With the deadline for the dismissals looming, the bankers are showing few signs of heeding the report's demands. It appears that resignations may be offered shortly, but are likely to be rejected by the banks' boards, which will recommend that decision be deferred until the results of an investigation into the Bejsky report have been considered by a ministerial committee.

Bankers suggest that the top men will eventually not be removed but moved sideways to head overseas operations, away from the domestic scene. This would be in line with the intentions inherent in the Bejsky report, but may satisfy those who saw the recommendations that these bankers be banned for life as too harshly levelled against the political figures involved.

Sonesson head quits board of Volvo

MR HANS-ERIK OVIN, the president of Volvo, the Swedish engineering and drug concern, is to step down from the board of Volvo at the group's annual meeting on May 21.

Volvo, the car maker, made a offer last February to the shareholders of Sonesson to acquire the company after a planned link up between Volvo and Fermenta, the biotechnology concern failed.

The bid has been accepted by shareholder's representing nearly 90 per cent of the Sonesson stock.

Electronics job in Motorola

MOTOROLA, the US electronics group, has announced the appointment of Mr John A. Lockitt as president and chief executive of the Codex Corporation. He succeeds Mr James W. Storey, who has taken a new job, reporting to the chief executive of Motorola itself.

Top change at Pepsico

PEPSICO, the US soft drinks maker, has elected Mr D. Wayne Calloway chairman and chief executive officer in succession to Mr Donald M. Kendall.

Mr Calloway, with the company for 19 years, has been president and chief operating officer since January last year.

Mr Michael H. Jordan, currently executive vice president of finance and administration, becomes president.

Mr Robert C. Dettmer, who has been the president of Pepsi-Cola Bottling Group since 1979, is to take over from Mr Jordan as executive vice president and chief financial officer.

GENERAL MOTORS, the US company that is the world's biggest carmaker, has appointed Mr E. Stanley O'Neal as general assistant treasurer.

In what is a new position, Mr O'Neal will have responsibility for domestic financing and investment.

SINGER COMPANY, the Connecticut aerospace and marine electronic systems concern, famous for its sewing machines, has appointed Mr William F. Andrews president of sewing and furniture operations. Mr Andrews was formerly

chairman and chief executive of Scovill, the consumer products concern acquired by Singer last year.

THOMAS J. BICKETT, 47, has taken over as president and chief operating officer of Witco Corporation, the maker of specialty chemical and petroleum products and engineered materials. He succeeds William J. Ashe, who, at 65, has retired after more than 34 years with Witco.

AMERICAN HOIST and Derrick Company has appointed Mr Jerry Morgan president of the American Crane division. He succeeds Mr William B. R. Hobbs, who has resigned to pursue personal interests.

Mr Morgan is president of the company's Harris Press and Shear division, a post he retains.

MR ERIC LORSIGNOL has joined the international division of Banque Nationale de Paris as executive vice-president. He is to be head of international asset management activities and responsible for development. Mr Lorsignol was formerly managing director of Banque de Neuchâtel Schumberger-Mallet.

PHILIPS DODGE Corporation, the largest US copper producer, has elected Mr G. Robert Durham chief executive. Mr Durham, who succeeds Mr George B. Munroe, 64, is to retire on February 1, next year. It is unclear whether the position of chairman will be held by Mr Munroe or to be filled.

Philips Dodge is seeking diversification into businesses that produce "a more even cash stream to help bridge copper's deep earnings troughs," Mr Durham says.

Philips Dodge was, he says, mainly interested in companies with "reasonably broad experience in mining, engineering and basic industry."

Phelps Dodge president to be chief executive

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It was interested in acquisitions that offered different business cycles than those of copper, or at least ones that were "less extreme, and with profits and cash flow that, when sheltered by our substantial tax-loss carry-forwards, can have a meaningful, positive impact on our company."

Although the company has had discussions with possible candidates, no offers had been made, but hopes of concluding at least one transaction within the year remained.

Phelps Dodge says that it hopes to sell another 15 per cent interest in its Arizona mine, reducing its holding to 70 per cent.

United Artists pictures post

MR ROBERT LAWRENCE has been appointed president, motion picture production of United Artists Corporation, a new post. Mr Lawrence, executive vice president, since December in charge of worldwide production of United Artists, will continue to oversee production on United Artists films, working with the executive management team headed by Mr Lee Rich, the recently elected chairman and chief executive, and Mr Anthony D. Thomopoulos, the president and chief operating officer.

During a spell at Columbia Pictures, Mr Lawrence was involved in the development of such films as Starman, Kid, Elmo's Fire, The Karate Kid, Flight Night, and the yet unleased Armed and Dangerous.

Moves at R.J. Corr

R. J. CORR NATURALS, the Chicago non-alcoholic beverage company, has elected Mr Gordon E. Schaefer as president, and the former president, Mr Robert Corr, has taken the position of chief executive.

AUTHORISED UNIT TRUSTS

Table listing various unit trusts and their performance metrics, including names like Abbey Unit Trust, Abbey Fund Managers, and various international and domestic funds.

THE FINANCIAL TIMES is proposing to publish a Survey on THE WATER INDUSTRY July 9 1986. For further information, please contact: MARK FISHER on 01-248 8000 ext 3389. Publication date is subject to change at the discretion of the Editor.

F.T. CROSSWORD PUZZLE No. 6,019

COURTIER crossword puzzle grid with clues. Clues include: 1 He's on-sand (4-4), 5 Mine, Edward stoned (6), 11 After a knock I'd fast (5), 19 Be calm—I'll give no trouble (9), 12 Chilled by the fan's reaction perhaps (3-6), 13 Make cross (5), 14 Make notes about No. 9! (6), 15 Naked after what follows the horsedrawn satire (7), 16 Mother's on line—brother's work? (7), 17 Understands a column (6), 20 Understands a column (6), 21 Not a grid, a change of degree (9), 25 Must a rope be twisted to make a catch? (5-4), 26 Shooting lesson includes active fire (5), 27 ... to shoot again (6), 28 Caught in ... perhaps (8), 3 Snooker score at 11.00 a.m., using a rest perhaps? (3, 5), 4 Hit the note, on and off (7), 6 Receive orders on board Trident, perhaps, but mutiny (15), 7 Worthless journey to the Orient (5), 8 Arrangement for five hundred singers maybe (8), 9 I'd cope with lyric style (6), 10 Give extra purchasing power to ease row (9), 17 One who preserves a large number in dying fire (4-3), 19 Obtain sustenance from a toy rug (6), 20 Safe place to take a tot (4-3), 21 Mean appearance in two numbers (6), 23 This ant appears indignantly pleased (5), The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

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AUTHORISED UNIT TRUSTS & INSURANCES

Main table listing various financial products, companies, and their details. Includes columns for company names, addresses, and financial data.

INSURANCES section listing various insurance companies and their details.

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INSURANCE, OVERSEAS & MONEY FUNDS

Table listing various insurance and overseas fund products, including company names, fund names, and numerical values.

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OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

NOTES

TRADITIONAL OPTIONS

Table listing traditional options, including instrument names and numerical values.

BRITISH FUNDS

Table of British Funds with columns for Name, Price, Last, Yield, and Dividend. Includes sections for 'Shorts' (lives up to five years), 'Five to Fifteen Years', and 'Over Fifteen Years'.

INDEX-LINKED

Table of Index-Linked funds with columns for Name, Price, Last, Yield, and Dividend.

INT. BANK AND O'SEAS GOVT STERLING ISSUES

Table of International Bank and Overseas Government Sterling issues with columns for Name, Price, Last, Yield, and Dividend.

CORPORATION LOANS

Table of Corporation Loans with columns for Name, Price, Last, Yield, and Dividend.

COMMONWEALTH & AFRICAN LOANS

Table of Commonwealth and African Loans with columns for Name, Price, Last, Yield, and Dividend.

LOANS

Table of Loans with columns for Name, Price, Last, Yield, and Dividend.

Public Board and Ind.

Table of Public Board and Industrial funds with columns for Name, Price, Last, Yield, and Dividend.

FINANCIAL

Table of Financial funds with columns for Name, Price, Last, Yield, and Dividend.

FOREIGN BONDS & RAILS

Table of Foreign Bonds and Rails with columns for Name, Price, Last, Yield, and Dividend.

AMERICANS - Cont.

Table of American stocks with columns for Name, Price, Last, Yield, and Dividend.

CANADIANS

Table of Canadian stocks with columns for Name, Price, Last, Yield, and Dividend.

BANKS, HP & LEASING

Table of Banks, Hire Purchase, and Leasing companies with columns for Name, Price, Last, Yield, and Dividend.

BEERS, WINES & SPIRITS

Table of Beers, Wines, and Spirits with columns for Name, Price, Last, Yield, and Dividend.

RETAIL

Table of Retail companies with columns for Name, Price, Last, Yield, and Dividend.

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Table of Retail companies with columns for Name, Price, Last, Yield, and Dividend.

BUILDING, TIMBER, ROADS

Table of Building, Timber, and Roads companies with columns for Name, Price, Last, Yield, and Dividend.

LONDON SHARE SERVICE

BUILDING, TIMBER, ROADS - Cont.

Table of Building, Timber, and Roads companies with columns for Name, Price, Last, Yield, and Dividend.

DRAPERY & STORES - Cont.

Table of Drapery and Stores companies with columns for Name, Price, Last, Yield, and Dividend.

ELECTRICS

Table of Electrical companies with columns for Name, Price, Last, Yield, and Dividend.

CHEMICALS, PLASTICS

Table of Chemicals and Plastics companies with columns for Name, Price, Last, Yield, and Dividend.

DRAPERY & STORES

Table of Drapery and Stores companies with columns for Name, Price, Last, Yield, and Dividend.

FOOD, GROCERIES, ETC.

Table of Food, Groceries, and other companies with columns for Name, Price, Last, Yield, and Dividend.

HOTELS AND CATERERS

Table of Hotels and Caterers companies with columns for Name, Price, Last, Yield, and Dividend.

ENGINEERING

Table of Engineering companies with columns for Name, Price, Last, Yield, and Dividend.

INDUSTRIALS (Miscel.)

Table of Industrial (Miscellaneous) companies with columns for Name, Price, Last, Yield, and Dividend.

ENGINEERING - Continued

Table of Engineering companies with columns for Name, Price, Last, Yield, and Dividend.

INDUSTRIALS - Continued

Table of Industrial companies with columns for Name, Price, Last, Yield, and Dividend.

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INDUSTRIALS - Continued

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Financial Times Monday May 12 1986

INDUSTRIALS - Continued

Table of industrial stocks including companies like Johnson & Johnson, Pfizer, and Amgen, with columns for stock price, volume, and other financial metrics.

LEISURE - Continued

Table of leisure-related stocks such as Walt Disney World, Six Flags, and other entertainment companies.

PROPERTY - Continued

Table of real estate and property-related stocks, including various REITs and real estate development firms.

INVESTMENT TRUSTS - Cont.

Table of investment trusts, including equity, bond, and specialty trusts.

FINANCE, LAND - Cont.

Table of finance and land-related stocks, including banks, insurance companies, and land trusts.

MINES - Continued

Table of mining stocks, including gold, silver, and copper mining companies.

OVERSEAS TRADERS

Table of international trading companies and foreign exchange services.

PLANTATIONS

Table of plantation and agricultural stocks, including rubber and sugar companies.

INSURANCES

Table of insurance companies, including life, fire, and marine insurers.

PROPERTY

Table of real estate and property-related stocks.

TOBACCO

Table of tobacco-related stocks and companies.

TRUSTS, FINANCE, LAND

Table of trusts, finance, and land-related stocks.

FINANCE, LAND, etc

Table of finance, land, and other related stocks.

MINES

Table of mining stocks.

Central African

Table of Central African mining and resource stocks.

Far West Rand

Table of Far West Rand mining stocks.

Notes and footnotes at the bottom of the page, including disclaimers and additional information.



WORLD STOCK MARKETS

AUSTRIA 1986 High Low May 9 Price Price % Chg

AUSTRALIA 1986 High Low May 9 Price Price % Chg

HONG KONG 1986 High Low May 9 Price Price % Chg

NETHERLANDS 1986 High Low May 9 Price Price % Chg

GERMANY 1986 High Low May 9 Price Price % Chg

FRANCE 1986 High Low May 9 Price Price % Chg

SWITZERLAND 1986 High Low May 9 Price Price % Chg

JAPAN 1986 High Low May 9 Price Price % Chg

NETHERLANDS 1986 High Low May 9 Price Price % Chg

GERMANY 1986 High Low May 9 Price Price % Chg

FRANCE 1986 High Low May 9 Price Price % Chg

SWITZERLAND 1986 High Low May 9 Price Price % Chg

CANADA

TORONTO Closing Prices May 9

OVER-THE-COUNTER Nasdaq national market, closing prices, May 9

BELGIUM/LUXEMBOURG 1986 High Low May 9 Price Price % Chg

DENMARK 1986 High Low May 9 Price Price % Chg

FRANCE 1986 High Low May 9 Price Price % Chg

SWITZERLAND 1986 High Low May 9 Price Price % Chg

BELGIUM/LUXEMBOURG 1986 High Low May 9 Price Price % Chg

DENMARK 1986 High Low May 9 Price Price % Chg

FRANCE 1986 High Low May 9 Price Price % Chg

SWITZERLAND 1986 High Low May 9 Price Price % Chg

NETHERLANDS 1986 High Low May 9 Price Price % Chg

GERMANY 1986 High Low May 9 Price Price % Chg

FRANCE 1986 High Low May 9 Price Price % Chg

SWITZERLAND 1986 High Low May 9 Price Price % Chg

NETHERLANDS 1986 High Low May 9 Price Price % Chg

GERMANY 1986 High Low May 9 Price Price % Chg

FRANCE 1986 High Low May 9 Price Price % Chg

SWITZERLAND 1986 High Low May 9 Price Price % Chg

OVER-THE-COUNTER

Continued from Page 31

NEW YORK

NEW YORK 1986 High Low May 9 Price Price % Chg

INDICES

INDICES 1986 High Low May 9 Price Price % Chg

NEW YORK

NEW YORK 1986 High Low May 9 Price Price % Chg

INDICES

INDICES 1986 High Low May 9 Price Price % Chg

After the final curtain, all the world's a stage



Now that the Financial Times is printed in the U.S. you can get the next day's edition well before midnight in New York's theatre district. At many newsstands or from one of our unashamedly pink dispensers...

FINANCIAL TIMES Because we live in financial times.



NYSE COMPOSITE CLOSING PRICES

AMEX COMPOSITE CLOSING PRICES

Main table of NYSE Composite Closing Prices, listing various stocks with columns for stock name, price, and change.

Table of AMEX Composite Closing Prices, listing various stocks with columns for stock name, price, and change.

OVER-THE-COUNTER Nasdaq national market, closing prices, May 9

Table of Over-the-Counter (Nasdaq) national market closing prices for May 9, listing various stocks with columns for stock name, price, and change.

INTERNATIONAL PROPERTY REVIEW THE FT EVERY FRIDAY

WORLD TRADE NEWS GENERAL COMMENT DAILY IN THE FT

US DOLLAR THE WORLD VALUE IN THE FT EVERY FRIDAY

# CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

### Nervous dollar weakens

By Colin Millham

After a temporary lull in the downward movement of the dollar pressure began to mount on the US currency again towards the end of last week. It was a rather nervous and patchy market. The pause in the downward drift was partly in anticipation of the Tokyo summit, but once this was out of the way, trading was still affected by holidays covering most of western Europe. London was closed on Monday, and the major Continental centres celebrated Ascension Day on Thursday.

There was therefore not until Friday, when the result of the summit had been digested and the holidays were over, that the foreign exchange market began to turn the screw firmly against the dollar.

To say the result of the summit had been digested is not altogether true because there was no obvious outcome as far as the market was concerned. This was not entirely unexpected because events have changed markedly since the New York agreement of the Group of Five, late in September.

The dollar is now much weaker and in the view of Japan and West Germany the decline has gone far enough. The US, allied with Britain, believes the downward trend can continue, particularly as far as the yen is concerned. There is a time lag between shifting currency values

and about any reductions in the near future.

Continuing uncertainty about oil prices, in spite of the support provided by the Chernobyl nuclear accident, and disappointing mid-April sterling M3 money supply, pushed thoughts of lower UK bank base rate further into the background.

West Germany's Bundesbank is also reluctant to cut rates, against a background of rising money supply and the historically weak D-mark, following the re-alignment of the European Monetary System last month.

This leaves the US, and here again there is every sign that caution will prevail at present. Mr Paul Volcker, chairman of the Federal Reserve Board, repeated last week his concern about the weakness of the dollar and spoke of a "self-reinforcing decline".

Japanese investors have been a major source in funding the US deficit but there has been concern that the Japanese would find the market in US government paper less attractive because of falling interest rates. Mr Satoshi Sumita, governor of the US authorities auctioned a record \$27bn in Treasury notes and bonds, with varying degrees of success. Japanese investors may have bought about \$3bn of the \$9bn in 30-year bonds auctioned Thursday, which was below earlier predictions.

#### £ IN NEW YORK

May 9	Close	Prev. close
Spot	\$1.576-1.580	\$1.575-1.578
1 month	\$1.570-1.575	\$1.569-1.573
3 months	\$1.571-1.576	\$1.570-1.575
6 months	\$1.572-1.577	\$1.571-1.576

Forward premiums and discounts apply to the U.S. dollar.

and correcting trade imbalances. Japan is worried that its export-oriented economy will suffer from the realignment of the yen, while the US can point to forecasts of another record Japanese trade surplus this year and its own very large deficit, which shows no sign of falling in March.

The Japanese Government may in the end have to reconcile itself to a dollar value of around ¥150 as a lesser evil than supplying ammunition to the protectionist lobby in the US, through aggressive intervention by the Bank of Japan.

Further cuts in the Bank of Japan's 3.5 per cent discount rate remain a possibility, to ease the upward pressure on the yen, but Mr Masatoshi Sumita, governor of the central bank, indicated last week that he is opposed to such a move at present.

Leaders at the Tokyo summit indicated the prospects for further cuts in world interest rates remain good but dealers are becoming sceptical and cautious

#### CURRENCY MOVEMENTS

May 9	Bank of England	Morgan Guaranty
Sterling	75.5	-15.6
U.S. dollar	118.8	+4.1
Canadian dollar	78.1	-12.8
Austrian schilling	125.4	+7.1
Belgian franc	95.6	-7.1
Dutch guilder	95.1	-1.2
French franc	158.2	+16.5
German mark	69.4	-13.3
Italian lira	46.4	-17.8
Yen	308.9	+3.9

Morgan Guaranty changes average 1980-1982=100, Bank of England index (base average 1975=100).

#### OTHER CURRENCIES

May 9	£	\$
Argentina	1.2818-1.2843	0.8400-0.8410
Brazil	1.1721-1.1735	1.3777-1.3787
Canada	75.5	118.8
France	158.2	69.4
Germany	69.4	158.2
Italy	46.4	158.2
Japan	308.9	158.2
Spain	168.2	158.2
Switzerland	75.5	118.8
U.K.	75.5	118.8

#### CURRENCY RATES

May 9	Bank rate	Special Drawing Rights	European Currency Unit
US \$	0.76819	0.63976	1.36603
UK £	1.53638	1.27952	2.73206
Canada C\$	0.71750	0.59000	1.27000
France F\$	6.55957	5.33637	11.63369
Germany M\$	3.37573	2.74113	5.94594
Italy Lira	2036.268	1658.808	3533.757
Japan Yen	333.6	270.7	567.8
Spain Ptas	166.666	137.272	293.333
Switzerland S\$	75.5	62.0	134.0
Australia A\$	1.536	1.279	2.732
South Africa R\$	1.536	1.279	2.732

#### POUND SPOT—FORWARD AGAINST POUND

May 9	Day's spread	Close	One month	Three months	Six months	12-month
US	1.5325-1.5410	1.5406-1.5416	0.51-0.48c pm	3.85-1.41-1.37 pm	3.90	
Canada	2.1182-2.1281	2.1228-2.1285	0.27-0.27c pm	3.88-0.84-0.80 pm	1.63	
Netherlands	3.7825-3.7879	3.7725-3.7825	1-1/2c pm	4.78-4-1/4 pm	4.54	
Belgium	88.25-88.85	88.45-88.55	18-1/2c pm	2.82-48-30 pm	2.87	
Denmark	12.388-12.438	12.407-12.417	3-1/2c pm	3.22-9-3/4	2.86	
Ireland	1.9985-1.1025	1.1000-1.1010	per-0.10 dis	-0.84-0.20-2p dis	-0.74	
W. Ger.	3.34-3.39	3.35-3.38	3-3/4c pm	4.25-5-1/4 pm	5.74	
Portugal	214.97-228.38	222.60-228.60	105-50c pm	1.95-100-100	1.94	
Spain	213.13-213.80	213.47-213.77	20-80c pm	-2.24-0-180 dis	-2.00	
Italy	222.93-231.07	228.91-230.97	1-1/2c pm	-1.58-8-1/2 dis	-1.58	
Norway	18.94-19.58	19.50-19.58	17-1/2c pm	-19.83-2-3/4c pm	-6.58	
Sweden	10.63-10.74	10.65-10.68	3-1/2c pm	-3.17-8-1/4 pm	-2.89	
France	10.77-10.81	10.79-10.80	1-1/2c pm	-1.77-1-1/4 dis	-0.54	
Japan	246-250	249-250	1-1/2c pm	8.99-4-1/4 pm	6.17	
Austria	23.57-23.66	23.60-23.64	13-1/4c pm	8.99-4-1/4 pm	6.17	
Switzerland	2.77-2.79	2.78-2.79	1-1/2c pm	8.99-4-1/4 pm	6.17	

#### FORWARD RATES AGAINST STERLING

Dollar	Spot	1-month	3-month	6-month	12-month
1.5410	1.5361	1.5271	1.5173	1.5025	
D-Mark	3.375	3.3402	3.3085	3.2578	3.1988
French Franc	10.8500	10.8018	10.8100	10.8664	10.8882
Swiss Franc	2.7840	2.7718	2.7640	2.7686	2.6484
Japanese Yen	250.00	249.70	246.34	243.34	238.45

#### EMS EUROPEAN CURRENCY UNIT RATES

	May 9	Change	May 9	Change
Belgian Franc	43.6761	43.8552	+0.41	+0.53
German Mark	2.1824	2.1492	-0.02	-0.04
French Franc	6.5625	6.5625	0.00	0.00
Dutch Guilder	2.4035	2.4035	+0.45	+0.57
Irish Punt	0.71298	0.70944	-0.06	-0.04
Italian Lira	1481.21	1474.61	-1.44	-2.0788

#### MONEY MARKETS

### Rates generally stable

Interest rates on the London money market pointed towards a period of relative stability. The Government did not do much in the by-elections and local council polls, creating a little short-lived pressure on sterling on Friday morning, but the implications for interest rates in the short term are likely to be negligible.

Sterling performed well against the dollar last week but less well against other currencies, such as the D-mark and yen, although this will not cause any concern at present.

The main item of news last week, as far as the market was concerned, involved sterling M3 money supply. This grew by 3.8 per cent according to the preliminary estimate for the

#### UK clearing bank base lending rate 10 1/2 per cent since April 21

month to mid-April. The market expected growth of up to 5 per cent, but most estimates were nearer 2 1/2 per cent, and the published figure was disappointing.

On the other hand dealers were prepared to look for exceptional factors, including borrowing from banks to take advantage of capital investment allowances, up to the end of the last financial year. Borrowing to finance takeover bids may also have played a part in the rise but there was concern about the sharp growth of £3bn in private sector lending.

#### WEEKLY CHANGE IN WORLD INTEREST RATES

London	May 9	Change	New York	May 9	Change
Base rates	10 1/4	Unch'd	Prime rate	8 1/2	Unch'd
7 day interbank	10 1/4	-1/4	Federal funds	8 1/2	+1/8
3 month interbank	10 1/4	-1/4	3 mth Treasury Bills	8 1/2	+3/8
Treasury Bill Tender	9.9779	-0.0058	3 mth C.D.	8.58	-0.07
Bank 1 Bills	10 1/4	Unch'd	FRANKFURT	6.5	Unch'd
Bank 2 Bills	10 1/4	Unch'd	London	4.875	Unch'd
Bank 3 Bills	10 1/4	Unch'd	Paris	4.535	+0.05
Bank 4 Bills	10 1/4	Unch'd	3 month	7 1/2	Unch'd
3 Mth. Treasury Bills	10 1/4	Unch'd	3 month	7 1/2	Unch'd
3 Mth. Bank Bills	10 1/4	Unch'd	3 month	7 1/2	Unch'd
3 Mth. Bank Bills	10 1/4	Unch'd	3 month	7 1/2	Unch'd
3 Mth. Bank Bills	10 1/4	Unch'd	3 month	7 1/2	Unch'd
3 Mth. Bank Bills	10 1/4	Unch'd	3 month	7 1/2	Unch'd
3 Mth. Bank Bills	10 1/4	Unch'd	3 month	7 1/2	Unch'd
3 Mth. Bank Bills	10 1/4	Unch'd	3 month	7 1/2	Unch'd

#### MONEY RATES

May 9	Over-night	One Month	Two Months	Three Months	Six Months	London In't'l
Frankfurt	4.30-4.40	4.40-4.55	4.45-4.60	4.45-4.60	4.45-4.60	5.5
Paris	4.50-4.60	4.60-4.75	4.65-4.80	4.65-4.80	4.65-4.80	7.0
Zurich	7.0-7.1	7.1-7.2	7.1-7.2	7.1-7.2	7.1-7.2	7.0
Amsterdam	4.85-4.95	4.95-5.10	4.95-5.10	4.95-5.10	4.95-5.10	6.5
Basel	4.85-4.95	4.95-5.10	4.95-5.10	4.95-5.10	4.95-5.10	6.5
Milan	13.15-13.25	13.25-13.35	13.25-13.35	13.25-13.35	13.25-13.35	10.0
Buenos Aires	8.5-8.6	8.6-8.7	8.6-8.7	8.6-8.7	8.6-8.7	10.0
Dublin	8.5-8.6	8.6-8.7	8.6-8.7	8.6-8.7	8.6-8.7	10.0

#### LIFFE LONG LIFE GILT FUTURES OPTIONS

Strike	June	Sept	Dec	Mar	June	Sept	Dec	Mar
118	8.38	9.25	—	—	0.00	0.25	—	—
120	10.38	11.10	—	—	0.00	0.25	—	—
122	4.80	6.16	—	—	0.01	0.57	—	—
124	2.56	4.37	—	—	0.18	2.03	—	—
126	1.40	2.72	—	—	0.58	1.57	—	—
128	0.38	2.50	—	—	1.64	3.00	—	—
130	0.71	2.01	—	—	3.27	5.11	—	—
132	—	—	—	—	6.82	9.78	—	—

Estimated volume total, Calls 1,342, Puts 578

Previous day's open int, Calls 1,465, Puts 3,639

#### LIFFE US TREASURY BOND FUTURES OPTIONS

Strike	June	Sept	Dec	Mar	June	Sept	Dec	Mar
91.00	2.28	2.63	—	—	0.00	0.80	—	—
92.00	3.31	3.80	—	—	0.01	1.23	—	—
93.00	4.35	4.95	—	—	0.02	1.67	—	—
94.00	5.39	6.08	—	—	0.03	2.11	—	—
95.00	6.43	7.20	—	—	0.04	2.55	—	—
96.00	7.47	8.27	—	—	0.05	2.99	—	—
97.00	8.51	9.28	—	—	0.06	3.43	—	—
98.00	9.55	10.28	—	—	0.07	3.87	—	—
99.00	10.59	11.28	—	—	0.08	4.31	—	—
100.00	11.63	12.28	—	—	0.09	4.75	—	—
101.00	12.67	13.28	—	—	0.10	5.19	—	—
102.00	13.71	14.28	—	—	0.11	5.63	—	—
103.00	14.75	15.28	—	—	0.12	6.07	—	—
104.00	15.79	16.28	—	—	0.13	6.51	—	—
105.00	16.83	17.28	—	—	0.14	6.95	—	—
106.00	17.87	18.28	—	—	0.15	7.39	—	—
107.00	18.91	19.28	—	—	0.16	7.83	—	—
108.00	19.95	20.28	—	—	0.17	8.27	—	—
109.00	20.99	21.28	—	—	0.18	8.71	—	—
110.00	22.03	22.28	—	—	0.19	9.15	—	—
111.00	23.07	23.28	—	—	0.20	9.59	—	—
112.00	24.11	24.28	—	—	0.21	10.03	—	—
113.00	25.15	25.28	—	—	0.22	10.47	—	—
114.00	26.19	26.28	—	—	0.23	10.91	—	—
115.00	27.23	27.28	—	—	0.24	11.35	—	—
116.00	28.27	28.28	—					